CAFR

2012

YEAR ENDED SEPTEMBER 30, 2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

VINCENT C. GRAY • MAYOR

NATWAR M. GANDHI • CHIEF FINANCIAL OFFICER

GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE CHIEF FINANCIAL OFFICER

VINCENT C. GRAY
MAYOR

January 28, 2013

Dear Residents of the District of Columbia,

I am pleased to present the District of Columbia's (District) Fiscal Year 2012 Comprehensive Annual Financial Report (CAFR). We completed Fiscal Year 2012 with a budgetary surplus of $417 million, resulting in a General Fund balance of $1.5 billion as of September 30, 2012, and the audit opinion is unqualified for the sixteenth consecutive year. These results are compelling evidence that the District's finances are among the strongest of any jurisdiction in the nation.

As in previous years, the District was able to continue to invest in neighborhoods and commercial projects, and continues to be an attractive destination for visitors and investors from all over the world. Last December the Census Bureau reported that the District added more than 30,000 residents over the last 27 months, a rate of 1,100 residents per month, among the fastest growing in the nation. We enjoy a "AAA" rating from Standard & Poor's on our Income Tax secured revenue bonds, with ratings of "AA+" and "Aal" from Fitch Ratings and Moody's Investors Service, respectively. All three rating agencies have "stable" outlooks on the District's income tax bonds. These strong bond ratings allow the District to secure lower interest rates to finance important investments in public capital projects such as schools, recreation facilities, streets and bridges.

The District's increasingly strong financial outlook, coupled with impressive job growth and a falling unemployment rate, is affirmation that our economic development strategies are working. Despite the challenges that anticipated future federal cuts may bring to the District, the city's economy is vibrant and growing. Our growing prosperity will allow us to ensure financial stability in the years to come while also making important investments in the safety, health, education, and quality of life of all of our residents.

With your continued support, we will keep working to lift up communities in every Ward to build a more prosperous, equitable, and sustainable District of Columbia.

Sincerely,

Vincent C. Gray

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

Natwar M. Gandhi
Chief Financial Officer

January 28, 2013

The Honorable Vincent C. Gray
Mayor of the District of Columbia
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Gray:

I am pleased to present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2012. It is with much pride that I report that our independent auditors, KPMG, LLP, issued an unqualified (clean) audit opinion on the District's fiscal year (FY) 2012 financial statements. This is the 16th consecutive year in which the District has received a clean audit opinion on its annual financial statements.

Like many other jurisdictions, the District continues to face challenges related to our national economy. Of particular concern are potentially large reductions in federal spending that could threaten the economy of the Washington metropolitan region. Through the collaborative efforts of the Mayor, Council, Agency Directors, agency personnel and the financial team, the District has persevered throughout even the most challenging economic times. Over the last several years, working together as one city and one government, we have been successful in preventing budget deficits and maintaining financial health and stability. District residents should be assured that our government functions well and has sufficient resources to provide necessary programs and services.

Due to the District's disciplined financial management practices and innovative approaches, the District's financial position at the close of FY 2012 was strong in comparison with that of many other jurisdictions. At the end of FY 2012, General Fund revenues exceeded expenditures by $417 million on a budgetary basis and the cumulative General Fund fund balance was $1.507 billion, up from $1.105 billion in FY 2011. Considering the economic climate of recent years, the District's strong financial position at this time is an extraordinary accomplishment.

The strength of the District's finances is evidenced by its strong bond ratings. The District's Income Tax Secured Revenue Bonds are currently rated as follows: AA+ by Fitch Ratings; Aa1 by Moody's Investors Service; and AAA by Standard and Poor's Rating Service. In addition, the District's General Obligation Bonds are currently rated as: AA- by Fitch Ratings; Aa2 by Moody's Investors Service; and A+ by Standard and Poor's Rating Service. As a result of these strong ratings, the District was able to refund approximately $95.3 million of its outstanding Income Tax Secured Revenue Bonds and $479.8 million of the District's outstanding General Obligation Bonds through

the issuance of Income Tax Secured Revenue Refunding Bonds; and $61.2 million of the Gallery Place Project Tax Increment Revenue Bonds, through the issuance of Tax Increment Revenue Refunding Bonds. These refunding transactions provided the District with $67.5 million in present value savings.

As we move forward, maintaining the District's strong bond ratings will continue to be important to the success of our financial management. Reduced bond ratings would force the City to pay higher interest rates on our bonds and, in turn, reduce the funds available for programs and services. For that reason, we must avoid practices that will compromise the District's strong bond ratings, which we have enjoyed now for several years. We must make every effort to allocate and wisely utilize available resources and limit the use of reserves to meet operational needs so that rating agencies and investors will continue to look favorably on the District's bonds.

Effective management of the District's resources begins with the development of soundly based revenue estimates. Typically, such estimates are prepared after considering historical revenue trends, current economic conditions and indicators, and available financial forecasts. Although the economy showed signs of recovery in FY 2012, it remained fragile. During the first quarter of fiscal year 2012, the economic picture, although improving, was clouded by uncertainty regarding federal spending and the possibility that the nation might fall back into a recession. Based on known economic conditions at the time, at the close of the first quarter of FY 2012, estimated revenues for FY 2012 totaled $5.670 billion. However, due primarily to stronger than expected growth in withholding and sales tax collections, by the end of the fiscal year, the revenue estimate increased to $5.863 billion.

Many economic indicators showed that the economy was in recovery for much of FY 2012, but throughout the fiscal year the pace of that recovery remained slow. Recognizing the vulnerability and tenuous nature of the District's economy, the Office of the Chief Financial Officer was vigilant in its efforts to effectively manage the District's financial resources. We will continue our vigilance as we move forward. We are committed to improving business processes on an on-going basis, strengthening internal controls, and maximizing overall operational efficiency.

I would like to thank both program and financial staff throughout the District who have worked diligently to manage the city's financial resources during the year and successfully close the District's books at the end of the fiscal year. Through their joint efforts, the District was able to operate within budgetary constraints and timely issue its FY 2012 CAFR with a clean audit opinion. These are tremendous accomplishments and we all should be quite proud.

Sincerely,

Natwar M. Gandhi
Chief Financial Officer

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Government of the District of Columbia
Comprehensive Annual Financial Report
Year Ended September 30, 2012

Vincent C. Gray
Mayor

Natwar M. Gandhi
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DISTRICT OF COLUMBIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2012

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INTRODUCTORY SECTION

2012

VINCENT C. GRAY • MAYOR
NATWAR M. GANDHI • CHIEF FINANCIAL OFFICER

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

Government of the District of Columbia

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January 28, 2013

Dr. Natwar M. Gandhi
Chief Financial Officer

The Comprehensive Annual Financial Report (CAFR) of the Government of the District of Columbia (District) for the fiscal year ended September 30, 2012, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management and the Office of the Chief Financial Officer (OCFO). To the best of my knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the District.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for state and local governments as promulgated by the Governmental Accounting Standards Board (GASB) and includes all disclosures necessary for readers to gain an understanding of the District's financial activities.

The ability to produce a timely and accurate CAFR depends upon the adequacy of the District's internal controls. Internal control is defined as a process, effected by an entity's governing board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) efficiency and effectiveness of operations; (b) reliability of financial reporting; and (c) compliance with applicable laws and regulations. Reasonable assurance is defined as a high, but not absolute, level of assurance about whether the financial statements are free of material misstatement. The District's management is responsible for establishing and maintaining adequate internal controls. The greatest challenge in establishing and maintaining adequate internal controls is ensuring that the control framework developed by management is comprehensive—that is, broad enough to achieve its intended purpose.

Due to certain inherent limitations, such as prohibitive costs, judgment errors, or potential for management override and collusion, internal control can only provide reasonable assurance that management's objectives will be achieved. However, routine, periodic audits help management assess, on an on-going basis, the adequacy of the District's internal controls. In accordance with D.C. Code Section 47-119, an independent auditor audited the District's financial statements for the year ended September 30, 2012. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. In addition to issuing an opinion on the District's financial statements, the independent auditor, KPMG LLP, prepared a report, which was issued in conjunction with the CAFR, that discussed the auditor's consideration of the District's internal control over financial reporting and the outcome of the auditor's tests of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other related requirements. This report is commonly referred to as the Yellow Book Report.

Moreover, an audit of compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is also performed annually and a separate report, often referred to as the Single Audit Report, is issued by the independent auditors. The District's fiscal year 2012 Single Audit Report will be issued at a later date.

GASB Statement No. 34 requires management to provide a narrative introductory overview and analysis (termed management's discussion and analysis (MD&A)) to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and, therefore, does not discuss the District's financial operations and results. For that reason, this letter should be read in conjunction with the MD&A in order to gain a better understanding of the District's financial condition.

PROFILE OF THE GOVERNMENT

Overview: Historical Background of the District

President George Washington established Washington, D.C. (herein after referred to as D.C., the District of Columbia, or the District) in 1791 from territory ceded by the State of Maryland and the Commonwealth of Virginia. The United States Congress assumed jurisdiction over the District of Columbia, but citizens residing in the District of Columbia did not have voting representation in Congress.

Significant dates in the history of the District of Columbia are presented in the timeline shown in **Table T1**.

Table T1 – Timeline: Key Dates in the History of the District of Columbia

February 1801	Congress enacted the Organic Act of 1801, thereby dividing the capital district into Washington County (former Maryland area) and Alexandria County (former Virginia area).
1846	Congress passed a law allowing the City of Alexandria and Alexandria County to be returned to the Commonwealth of Virginia.
1871	Congress consolidated Georgetown, Washington City, and Washington County into one territorial government. The President appointed a territorial governor and council and an elected House of Delegates. A non-voting delegate to Congress was also established.
1874	The territorial government of the District of Columbia was abolished and the non-voting delegate to Congress was eliminated.
1878	The power to elect a territorial governor and council was eliminated. Congress established a three-member Board of Commissioners to govern the District of Columbia. This form of governance lasted for almost 100 years.
1961	The 23rd Amendment to the U.S. Constitution was ratified. Citizens of the District of Columbia were granted the right to vote in a presidential election.
1967	President Lyndon B. Johnson appointed Walter E. Washington Mayor of the District of Columbia.
1970	Congress passed the District of Columbia Delegate Act.
1971	Walter Fauntroy became the first Congressional Delegate to represent the District of Columbia.
1973	Congress passed the District of Columbia Home Rule Act, which provides for a popularly elected mayor and a 13-member Council.

Although Congress passed the Home Rule Act in 1973, Congress retained and continues to retain the right to review and overturn the legislative acts of the Council if both houses of Congress vote within 30 legislative days to do so. In addition, the budget for the District of Columbia government must be approved by Congress and the President of the United States.

The Home Rule Act prohibits the taxing of federal property, other tax-exempt property and the income of non-District residents who work in the District.

In 1983, it was determined that the District could legally issue its own debt. On October 15, 1984, the District issued municipal debt for the first time, in the form of Tax Revenue Anticipation Notes (TRANs), which totaled $150 million.

Although progress has been made on many fronts throughout the city's history, District of Columbia residents still do not have voting representation in Congress. However, in accordance with the District of Columbia Delegate Act of 1970, U.S. Public Law 91-405, the citizens of the District of Columbia are represented in the House of Representatives by a Delegate, who is elected by the voters of the District of Columbia. Consistent with the Act:

> *The Delegate shall have a seat in the House of Representatives, with the right of debate, but not of voting, shall have all the privileges granted a Representative by § 6 of Article I of the Constitution, and shall be subject to the same restrictions and regulations as are imposed by law or rules on Representatives. The Delegate shall be elected to serve during each Congress.*

The current D.C. Delegate, Congresswoman Eleanor Holmes Norton, has no voting power. However, despite her limitations over the years, she has been able to accomplish much on behalf of the District of Columbia. Some of her recent major accomplishments include the following:

- Worked with the U.S. Department of Housing and Urban Development (HUD) to expand job opportunities for low-income people and public housing residents by creating a registry of eligible Section 3 businesses and job opportunities.

  The District is a participant in the Section 3 Business Registry, a HUD pilot program, which offers a searchable online database that housing authorities, local government agencies, and contractors can use to identify firms that have self-certified their status as Section 3 businesses that hire low-income individuals.

- Worked jointly with Democratic Whip Steny Hoyer to secure funding for the Frederick Douglass/South Capitol Street Bridge project. In November 2011, the U.S. Department of Transportation awarded $68 million to the District for construction of a new Frederick Douglass/South Capitol Street Bridge, which is the cornerstone of the South Capitol Street revitalization project.

  Hoyer and Norton have worked for years to obtain incremental funding for this bridge project, successfully securing $123 million in the transportation reauthorization bill, and approximately $20 million since 2002 for the rehabilitation of South Capitol Street and the Frederick Douglass/South Capitol Street Bridge through the appropriations process. The funding announced in November 2011 will be used for right-of-way acquisition.

- Succeeded in fighting back an amendment to allow people with "concealed carry" permits issued by other states to carry concealed guns in the District of Columbia. The amendment was offered to the National Right-to-Carry Reciprocity Act of 2011 (H.R. 822), which would allow people with concealed carry permits to carry concealed guns in any jurisdiction that allows "concealed carry", but not in those jurisdictions that prohibit concealed carry. The amendment, if adopted, would have created a unique exception.

For more information on the initiatives, activities and accomplishments of the D.C. Delegate, visit Congresswoman Eleanor Holmes Norton's website at www.norton.house.gov.

Financial Reporting Entity

For financial reporting purposes, the District's reporting entity consists of: (1) the primary government; (2) five discretely presented component units (Housing Finance Agency, University of the District of Columbia, Washington Convention and Sports Authority, Water and Sewer Authority, and the Not-For-Profit Hospital Corporation (d/b/a the United Medical Center); and (3) one blended component unit (the Tobacco Settlement Financing Corporation). The District of Columbia Housing Authority and the District of Columbia Courts are considered related organizations because the District is not financially accountable for their operations. The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or the component units have been included in the reporting entity. Further information on the reporting entity can be found in Note 1B, page 58 of the Notes to the Basic Financial Statements.

The District and its component units provide a wide range of services to residents, including elementary, secondary, and postsecondary education; health and human services; economic development and regulation; public safety; transportation; and other general government services.

Budgetary Information

During the first quarter of each fiscal year, agencies begin the budget formulation process for the upcoming fiscal year. On or about March 20 of each year, consistent with Section 442 of the Home Rule Act, the Mayor submits a balanced operating budget for the upcoming fiscal year to the Council for review and approval. The Council holds public hearings and adopts the budget (including a multi-year capital improvement plan by project for all District agencies) through passage of a Budget Request Act. The Mayor may not submit and the Council may not adopt any budget which presents expenditures and other financing uses that exceed revenues and other financing sources. After the Mayor approves the adopted budget, it is forwarded to the President and then to Congress for approval. Congress enacts the District's budget through passage of an appropriations bill, which is signed into law by the President of the United States.

The legally adopted budget is the annual Appropriations Act passed by Congress and signed by the President. The Appropriations Act authorizes expenditures at the agency level and by appropriation title (function), such as Public Safety and Justice; Human Support Services; or Public Education. To revise planned expenditures for any function, Congress must enact the appropriate legislation. However, the District may reallocate budgeted amounts using the District's reprogramming process in accordance with applicable legal requirements.

The District utilizes budgetary controls designed to monitor compliance with expenditure limitations contained in the annual Appropriations Act. Both automation and sound governance provide strong budgetary controls. The annual budget is assigned specific accounting attributes and is uploaded into the District's accounting system of record, thereby establishing the budget authority for each entity within the District government. The budget authority established in the system of record is then reconciled to the levels of funding authorized by the Appropriations Act. In addition, on an annual basis, independent auditors review the budgetary comparison statement to ensure compliance with federally approved amounts and to determine whether budget adjustments are properly documented and approved.

The "*District Anti-Deficiency Act of 2002*" (the Act), which became effective on April 4, 2003, introduced additional budgetary control requirements. This Act requires District managers to develop spending projections, by source of funds, on a monthly basis, which show year-to-date spending, approved budget, year-end projected spending, explanations of variances greater than 5% or $1 million, and planned corrective actions for instances of overspending. Spending projections are required to be submitted to the agency head and the Agency Fiscal Officer. Summarized spending projections must be submitted to the District's Chief Financial Officer (CFO) no later than 30 days after the end of each month.

Other reporting requirements have also been established to enhance the District's budgetary control policies and practices. Consistent with D.C. Code § 47-355.04, agency heads and Agency Fiscal Officers are to submit jointly a monthly spending plan for the fiscal year to the District's CFO by October 1 of each fiscal year. In addition, pursuant to D.C. Code § 47-355.05, the District's CFO is to submit quarterly reports to the Council and the Mayor that present each agency's actual expenditures, encumbrances, and commitments, each by source of funds, compared to each agency's approved spending plan. This report is required to be accompanied by the District CFO's observations regarding spending patterns and steps being taken to ensure that spending remains within the approved budget. These reports are used by the District's Anti-Deficiency Review Board to assess cases of overspending.

In addition, the District uses encumbrance accounting as a means of strengthening budgetary controls and financial reporting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the financial system of record in order to reserve the portion of the related appropriation that will be needed for the expenditure. Therefore, the recording of encumbrances is a valuable tool used by the District to ensure that expenditures are within budgeted amounts. Generally, encumbered amounts lapse at year-end in the General Fund but not in the Capital Projects Fund, Special Revenue Fund, or the fund for Federal Payments.

Cash Reserves

Through Congressional mandate, the District is required to maintain cash reserves totaling 6% of the previous fiscal year's general fund expenditures less debt service cost. The 6% is comprised of a contingency cash reserve of 4% and an emergency cash reserve of 2%. The contingency cash reserve may be used to provide for nonrecurring or unforeseen needs (*e.g.*, severe weather or other natural disasters, and unexpected obligations created by federal law) that arise during the fiscal year or to cover revenue shortfalls experienced by the District for three consecutive months. The emergency cash reserve may be used to provide for unanticipated and nonrecurring extraordinary needs of an emergency nature (*e.g.*, natural disaster or calamity) and may be used in the event that the Mayor declares a State of Emergency in the District.

Other Fund Balance Reserves

Fiscal Stabilization Reserve

The fiscal stabilization reserve may be used by the Mayor for the same purposes for which the contingency reserve was established. However, this reserve may not be used for cash flow management purposes. At full funding, the fiscal stabilization reserve must equal 2.34% of the District's General Fund operating expenditures for each fiscal year.

Cash Flow Reserve

The cash flow reserve may be used by the District's CFO as needed to manage the District's cash flow. When a portion of the reserve is used to meet cash flow needs, this reserve must be replenished in the same fiscal year the amounts were used. At full funding, the cash flow reserve must equal 8.33% of the General Fund operating budget for each fiscal year.

District Accounting and Financial System

Accounting System

The District's accounting system is organized and maintained on a fund basis. A fund is a separate, distinct accounting entity that has its own assets, liabilities, equity, revenues, and expenditures/expenses. The District uses generally accepted accounting principles (GAAP) when determining the types of funds to be established and is guided by the "minimum number of funds principle" and sound financial management practices when determining the number of funds within each fund type.

Measurement Focus and Basis of Accounting

The District's financial statements are prepared in accordance with GAAP. Accordingly, the measurement focus and basis of accounting applied in the preparation of government-wide financial statements and fund financial statements are as follows:

- The government-wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting.

- Fund financial statements focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting.

- Specialized accounting and reporting principles and practices apply to governmental funds. Proprietary funds, component units and pension trust funds are accounted for in the same manner as business enterprises.

- The budgetary basis of accounting is used to prepare the budgetary comparison statement presented in Exhibit 2-d found on page 49. This basis of accounting differs from the GAAP basis as described below:

  - ***Basis Differences*** - The District uses the purchase method for budgetary purposes and the consumption method for GAAP basis accounting for inventories. Under the purchase method, purchases of inventories are recognized as expenditures when the goods are received and the transaction is vouchered. Under the consumption method, an expenditure is recognized only when the inventory items are used rather than purchased.

  - ***Entity Differences*** - This basis relates to inclusion or exclusion of certain activities for budgetary purposes as opposed to those included or excluded on a GAAP basis for reporting purposes. Such activities primarily include the following as reported in Exhibit 2-d found on page 49:

    1. Fund balance released from restrictions
    2. Proceeds from debt restructuring
    3. Accounts receivable allowance
    4. Operating surplus from enterprise funds

  - ***Perspective Differences*** – Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is used to construct the basic financial statements. The District does not have any significant budgetary perspective differences that limit its ability to present budgetary comparisons of its general fund. The District's *Budgetary Comparison Statement* is presented as part of the basic financial statements in Exhibit 2-d on page 49.

  - ***Timing Differences*** – Timing differences can exist when there are significant variances between budgetary practices and GAAP, which may include continuing appropriations, project appropriations, automatic re-appropriations, and biennial budgeting. The District has no significant timing differences between its budgetary practices and its GAAP presentation of its financial statements.

Transparency in Financial Reporting

The OCFO continues to promote openness in government and transparency in financial reporting. Over the last decade, the District has opened its books to the public by posting online the annual operating budget and capital plan, the comprehensive annual financial report, and the popular annual financial report. In addition, the OCFO's website provides information that allows taxpayers to review and assess the District's financial status, programs, activities and services, and determine how their tax dollars are being used. This information includes: monthly cash collection reports; debt management policy and data regarding bond issuances; monthly reviews of economic trends; other economic indicators and reports; CFO News (including press releases and Council Hearing written testimonies); and links to other useful information, such as the Taxpayer Service Center, the D.C. College Savings Plan, Unclaimed Property Division, and the Office of Contracting and Procurement.

In addition, CFOInfo, a District government OCFO financial web portal, presents data on actual expenditures for at least the two most recent fiscal years, the current fiscal year's approved budget, and the budget for the upcoming fiscal year. Users can view data in graphical or tabular format and may create comparisons and cross tabs for more detailed analyses. CFOInfo may also be used to access data regarding operating budgets, special purpose revenue, capital budgets, and the current year financial status.

In recent years, the District broadened its efforts to be transparent in financial reporting by creating the website, www.recovery.dc.gov, which offers a wealth of information regarding the District's receipt and use of federal Stimulus funds. This website allows the general public to track the District's receipt and use of such funds (by project category and District agency) and provides information on how District residents may access the benefits associated with Stimulus funds.

ECONOMIC CONDITION AND OUTLOOK

The District's job market gained strength between FY 2011 and FY 2012 and the city realized stronger than expected revenue in both years. Despite a brightening of the District's economic and fiscal outlook, certain risks continue to "cloud" the District's future economic and financial outlook. Federal cutbacks continue to pose the most serious threat to the District's economy and finances. Significant federal cutbacks would most likely tip the national economy into another recession, the effects of which would trickle down to the local economy. Although the federal government cushioned the District and the metropolitan area from the worst effects of the national recession over the past four years, it can no longer be considered a source of real growth as we look to the future.

The possibility of federal government cutbacks is not the only threat to the District's economy. Key issues in the European debt crisis remain unresolved. Moreover, the District's economy may potentially be negatively impacted by disruptions to oil supplies stemming from current Middle East instability and a downturn in the still fragile national economy.

Highlights: The District's Economy

Highlights regarding the District's economy in FY 2012 are presented below:

- Since January 2012, growth in wage and salary jobs located in the District has slowed; however, resident employment has been on the rise in recent months.
- In July 2012 (the start of the third quarter), there were 8,033 (1.1%) more wages and salary jobs located in the District than a year earlier, all in the private sector, as measured by a three-month moving average. There were 3,500 (1.6%) fewer federal government jobs in July 2012 than there were a year earlier. Health services accounted for almost half of the District's net job growth over the past year.
- District resident employment was 15,729 in July 2012 which was 5.1% more than a year earlier. The unemployment rate declined to 8.8%, down from 10.5% a year earlier.
- Housing slowed in recent months. Single family sales for the three-month period ending August 2012 were down 0.5% from a year ago, and there was a 0.1% decrease in the average selling price.
- Condominium sales over the three-month period ending August 2012 were up 17.9% and the average price was 1.6% higher. The value of all home sale contracts for the three-month period was 5.7% more than a year ago.
- Tax collections for FY 2012 have been quite strong, with individual income, sales, and business taxes all showing significant growth.

Key Factors in the District's Economy

Population

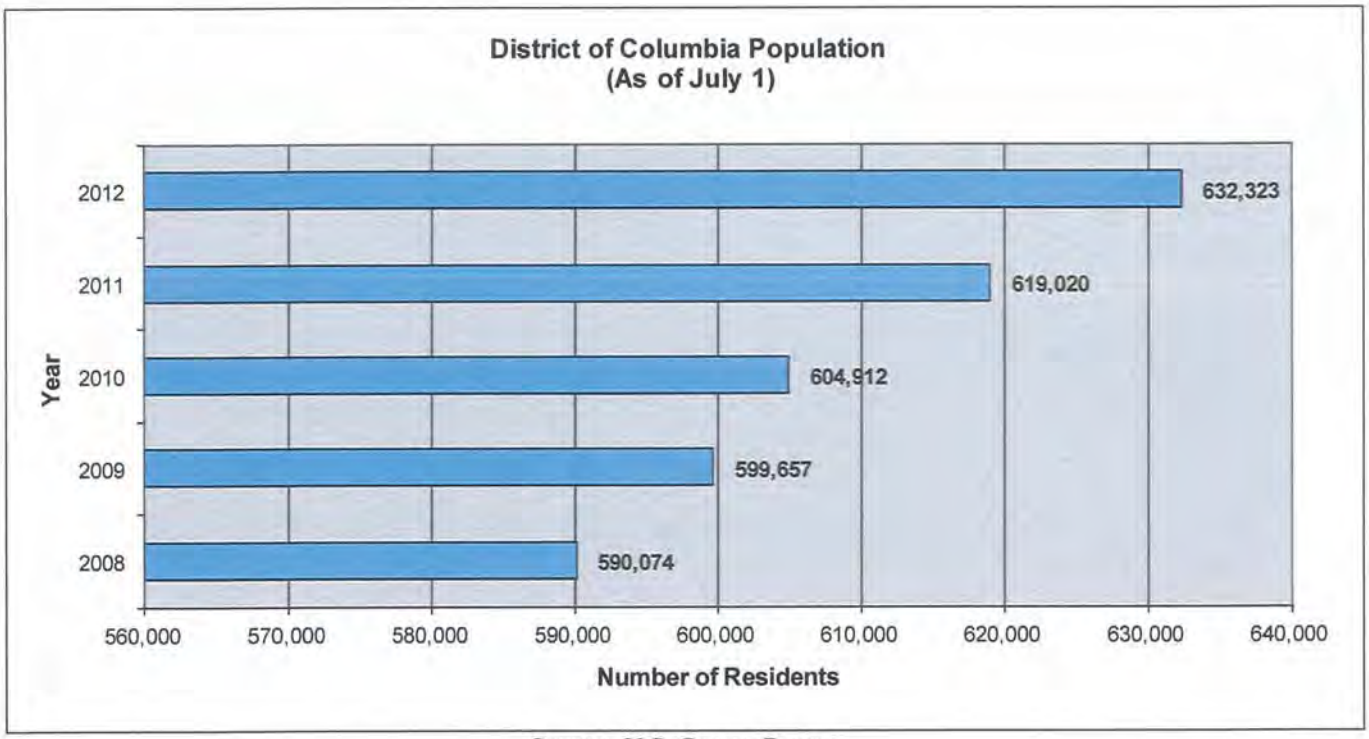
The U.S. Census Bureau estimated that there were 632,323 residents in the District of Columbia, as of July 1, 2012. This represents an increase of 13,303, or 2.1%, from the revised July 1, 2011 estimate of 619,020. Annual census estimates are based on birth and death records, changes in tax return filings, and estimates of the number of immigrants who move into the District each year. **Chart T1** presents the District's population trends for calendar years 2008 through 2012.

Income Trends

Income has grown considerably in the District in recent years. From the third quarter of 2008 to the third quarter of 2012, personal income grew approximately 13.9% in the District as compared to 7.2% nationally.

The distribution of income in the District differs from that of the nation as a whole, with higher proportions at the higher and lower ends and a smaller proportion in the middle. Median household income data is not yet available for 2012; however, for the two-year period 2010 and 2011, the District's median household income of $56,988 was 13.0% above the U.S. average. The Census Bureau estimates that 18.7% of the District's population was below the poverty line in 2011 as compared to 15.9% for all of the U.S.

Chart T1 – Population Trends (2008 – 2012)



Source: U.S. Census Bureau

Employment Trends

Total wage and salary employment in the Washington metropolitan area increased to approximately 3,023,900 in fiscal year 2012 from the revised 2,988,200 for fiscal year 2011, representing a 1.2% increase. These numbers exclude the self-employed, domestic workers, military and foreign government personnel, which represent a significant portion of the total workforce of the region. Some of the references to the 2011 employment numbers may differ from those presented in the fiscal year 2011 CAFR because of updates and revisions. **Table T2** presents 2012 labor market data for the District and the metropolitan region.

Total wage and salary employment within the District increased slightly to 24.4% of the metropolitan area's total wage and salary employment. The seasonally adjusted September 2012 unemployment rate in the District was 8.7%, compared to the September 2011 seasonally adjusted rate of 11.1%.

Total employment within the District increased to 736,600 as of September 2012 from the revised 728,400 as of September 2011. As the nation's capital, Washington, D.C. is the seat of the federal government and headquarters for most federal departments and agencies. The total September 2012 federal workforce in the Washington metropolitan area was 382,900; with approximately 209,700 federal employees located in Washington, D.C. and 173,200 additional federal employees who worked elsewhere in the Washington metropolitan area.

Minimum Wage Rate

District law requires that the minimum wage rate for District employees be at least $1.00 per hour more than the Federal minimum wage. Beginning on July 24, 2009, the Federal minimum wage rate was increased to $7.25 per hour and has not been revised since that time. Therefore, effective July 24, 2009, the District's minimum wage rate increased to $8.25 per hour and has remained unchanged through calendar year 2012.

Table T2– 2012 Labor Market Data for the District and Surrounding Metropolitan Area

Labor Market (000s): FY 2012

	District of Columbia			Metropolitan Area		
Item	**Level**	**1 yr. change (number)**	**1 yr. change (%)**	**Level**	**1 yr. change (number)**	**1 yr. change (%)**
Employed residents	330.2	22.1	7.2	3,058.3	64.2	2.1
Labor force	361.8	17.6	5.1	3,229.2	46.8	1.5
Total wage and salary employment	736.6	8.2	1.1	3,023.9	38.2	1.3
Federal government	209.7	-2.6	-1.2	382.9	-1.5	-0.4
Local government	34.3	0.2	0.6	292.6	4.4	1.5
Leisure & hospitality	63.5	1.7	2.8	284.7	8.0	2.9
Trade	23.5	0.9	4.0	283.6	-36.9	-11.5
Education and health	123.7	6.9	5.9	374.8	11.6	3.2
Prof., bus., and other services	217.9	0.2	0.1	883.2	9.4	1.1
Other private	64.0	0.9	1.4	522.1	43.2	9.0
Unemployed	31.7	-4.6	-12.6	170.8	-17.4	-9.3
New Unemployment Claims **(a)**	1.9	-0.1	-6.9			

Sources: U.S. Bureau of Labor Statistics (BLS) & D.C. Dept. of Employment Services (DOES)

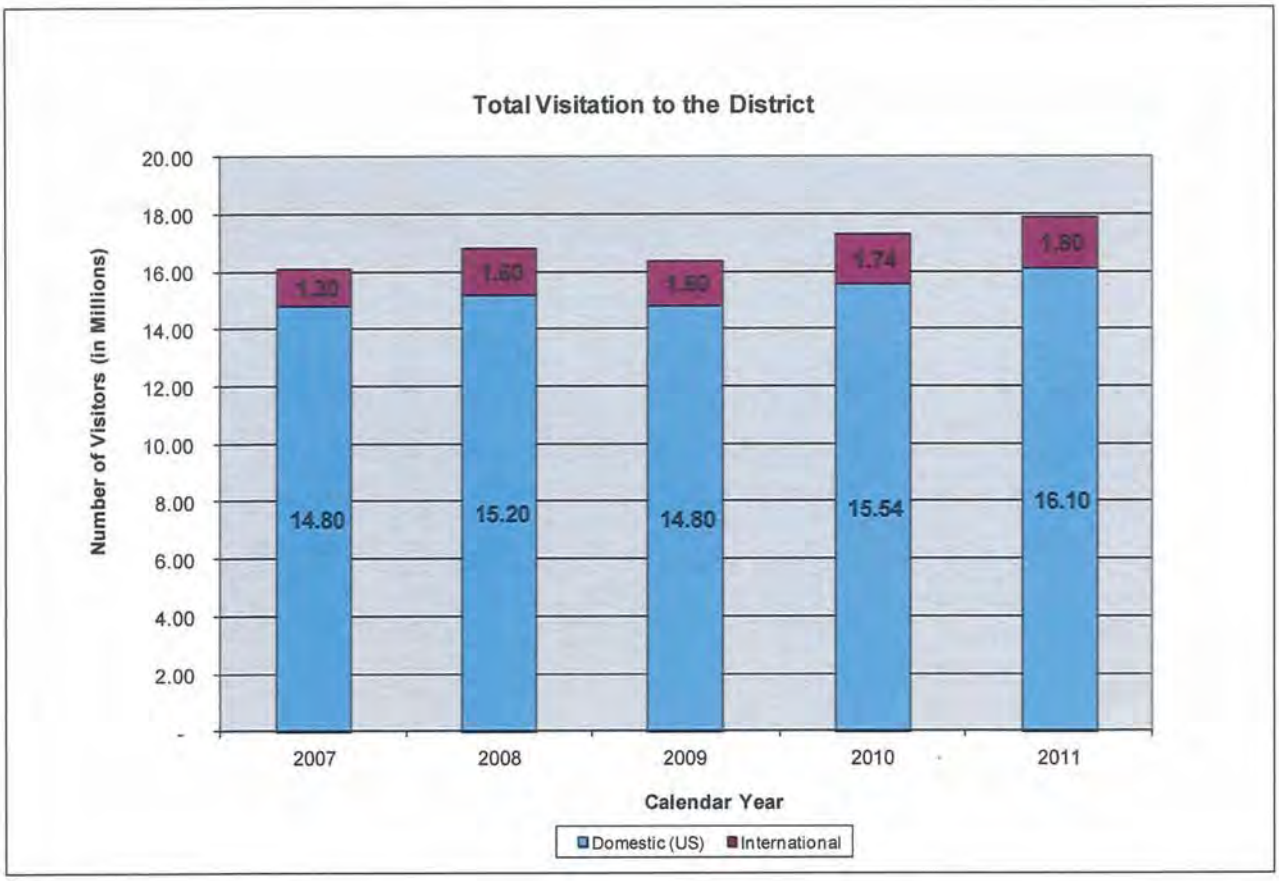
All data are monthly averages for the fiscal year and are preliminary, not seasonally adjusted.

Tourism and Hospitality

Millions of U.S. citizens and international tourists visit the District's more than 400 museums and other historical landmarks each year. Popular attractions include sites along the National Mall, numerous monuments to U.S. presidents, war memorials, and other museums. The presence of a large number of foreign embassies, recognized diplomatic missions, and other international organizations in the District helps to boost tourism. In calendar year 2011, approximately 16.1 million domestic visitors and 1.8 million international visitors traveled to the District. During calendar year 2011, the District maintained its position as the seventh most visited destination in the U.S. for international travelers. **Chart T2** presents the trends in tourism for calendar years 2007 through 2011. Tourism data for calendar year 2012 is not yet available.

Visitor spending, which totaled approximately $6.03 billion in 2011, generated additional business activity in related industries (*e.g.,* hotel, restaurant, and retail) and continues to help sustain the local and regional economies. The distribution of visitor spending in 2011 (by category) was as follows: $2.13 billion for Lodging; $1.63 billion for Food and Beverage; $994 million for Entertainment; $698 million for Shopping/Retail; $103 million for Air Transportation; and $473 million for Other Transportation. Total visitor spending increased by 34 million, or 6.0%, over the prior year. Hotel occupancy was approximately 75.3% at September 30, 2012. Travel and tourism supported more than 76,256 jobs in the District, generating approximately $3.06 billion in wages.

Chart T2 – Trends in District Tourism (2007 – 2011)



Source: Data compiled by Destination DC (formerly the Washington Convention and Tourism Corporation)

Construction - Commercial Real Estate

Construction of commercial real estate continued to show signs of recovery during calendar year 2012. At the end of 2012, commercial space under construction was up 13.5% over the prior year. Nonetheless, during the year, leased space decreased by 210,000 square feet and, the vacancy rate (including sublet) within the District increased from 8.7% at the end of 2011 to 9.3% at the end of 2012.

Construction – Housing Units

For the 12-month period ending September 2012, 4,091 housing unit building permits were issued. This represents a 66.4% increase over the prior 12-month period. **Table T3** presents the number of apartment units located in the District in 2008 through 2012.

Table T3 - District Apartment Units (2008 – 2012)

	2008	2009	2010	2011	2012
Inventory	85,427	87,090	87,970	88,710	89,464
Occupied Units	81,521	81,964	82,965	84,125	85,551

In calendar year 2012, there were 89,464 apartment units in the District, of which 85,551, or 95.6%, were occupied. It is anticipated that approximately 3,980 new apartment units will be added to the inventory between calendar years 2012 and 2013, and occupancy will grow by 4,438 units.

AMERICAN RECOVERY AND REINVESTMENT ACT (STIMULUS ACT)

On February 17, 2009, the American Recovery and Reinvestment Act (ARRA), or federal "Stimulus Bill" was signed into law. The Stimulus Bill was created to jump start the economy, preserve existing jobs, create new employment opportunities, and promote economic recovery throughout the country. Stimulus funding was made available for investments in infrastructure, energy efficiency, science, and state and local fiscal stabilization.

The District received stimulus funding for a variety of activities, including: road and bridge construction; public transportation improvements; energy efficiency and environmental projects; health care and health research; education; and public safety. Total stimulus operating expenditures were approximately $48.7 million in fiscal year 2012, which was approximately $157 million, or 76.3% less than the amount of such expenditures in the prior year. Although this reduction was significant, it was anticipated given the defined period during which stimulus funding was available. For that reason, this reduction did not significantly impact the District's ability to provide programs and services. In many instances, new sources of funding were identified to cover specific programs and activities or portions of costs associated with programs/services were assumed by the general fund. Approximately $39.1 million, or 80.2%, of the stimulus operating expenditures was made by the following agencies: Department of Health (10.7%), Office of the State Superintendent for Education (41.5%), Department of Housing and Community Development (15.1%), and District Department of the Environment (12.9%).

In fiscal year 2012, total stimulus capital expenditures were approximately $38.4 million, of which approximately $20.6 million, or 53.7%, was made by the District Department of Transportation.

THE DISTRICT'S BOND RATINGS

Rating agencies assess the credit quality of municipal issuers and assign a credit rating to the issuer based on the outcome of their assessments. Consequently, rating agencies provide vital information to investors regarding the relative risks associated with rated bond issues. Attaining an acceptable credit rating is important to an issuer because it allows the issuer to more easily access the market.

The three primary agencies that rate municipal debt are: (1) Fitch Ratings; (2) Moody's Investors Service; and (3) Standard & Poor's Rating Service. **Table T4** presents the District's bond ratings from these rating agencies for the past five years. The District's ratings for its general obligation bonds have remained high over the last several years. As a result, the District has been able to access the market and issue bonds more cost effectively.

During fiscal year 2009, the District issued its first Income Tax Secured Revenue Bonds. These bonds are special obligations of the District, payable solely from the Trust Estate pledged under the indenture. The bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District (other than the pledge of the available tax revenues made by the indenture and the Act). The bonds do not constitute a debt of the District, or lending of the public credit for private undertakings. As presented in **Table T4**, the District's ratings for its Income Tax Secured Revenue Bonds continued to be high in fiscal year 2012.

Table T4 – Bond Rating History (Last Five Fiscal Years)

	General Obligation Bonds				
	2008	**2009**	**2010**	**2011**	**2012**
Fitch Ratings	A+	A+	AA-	AA-	AA-
Moody's Investors Service	A1	A1	Aa2	Aa2	Aa2
Standard & Poor's Rating Service	A+	A+	A+	A+	A+

	Income Tax Secured Revenue Bonds			
	2009	**2010**	**2011**	**2012**
Fitch Ratings	AA	AA+	AA+	AA+
Moody's Investors Service	Aa2	Aa1	Aa1	Aa1
Standard & Poor's Rating Service	AAA	AAA	AAA	AAA

Note: The District issued its first series of Income Tax Secured Revenue Bonds in 2009.

OTHER FACTORS AFFECTING THE DISTRICT'S FINANCIAL POSITION

The District, as the central urban location of a large metropolitan area, houses a disproportionately large share of the area's poor and needy population. The District's overall poverty rate of 18.7% and child poverty rate of 30.4% are significantly higher than the U.S average and that of neighboring counties in Maryland and Virginia. Unlike other urban jurisdictions, the District cannot pool resources across suburban areas to serve its urban poor. Yet, it must provide state-level services such as healthcare, housing and welfare, largely through its own resources.

Moreover, the costs of delivering services to District residents are high. Labor costs in the District are 21% above the national average for public services, and the costs associated with acquiring capital goods and services are 55% above the national average. The high cost of delivering services to a large population in need of healthcare, housing, welfare and other similar services or assistance severely strains the District's financial resources. It has been estimated that if the District were to offer a basket of public services that prevail as "average" among all the state and local governments, it would have to spend 31% more than the national average to deliver it.

The District's ability to pay the high costs of service delivery is limited by several federally mandated restrictions. The federal government has restricted the District's tax base by prohibiting the taxation of federal real property. However, the federal government does not provide a Payment in Lieu of Taxes to compensate for this lost tax revenue. In addition, the Home Rule Act prohibits the District from taxing nonresident income. This prohibition significantly reduces the District's income tax base because approximately 55% of the amounts earned in the District of Columbia cannot be taxed.

As a result of these restrictions on the District's tax revenue collections, District residents must bear a disproportionate share of the costs of public services, while the benefits generated by the District are shared by a much larger community. Under slower revenue growth scenarios, District services could become severely impaired.

The U.S. Government Accountability Office (GAO), in its report entitled, "District of Columbia – Structural Imbalance and Management Issues," described the impact of the high cost of living, high poverty and crime rates, and limited tax base on the District's financial operations and estimated the range of the District's structural deficit to be between $470 million to $1.1 billion annually. Although the GAO's report, which was issued in May 2003, discusses conditions that existed at that time, the District's financial operations continue to be negatively impacted by the conditions reported.

LONG-TERM FINANCIAL PLANNING

As a result of improved financial management practices over the years, the District has been able to develop and operate within more disciplined budgets and address issues faced during challenging economic times. Across the nation, economic recovery has been slow and the District has not been immune to the lingering effects of the national recession.

District officials have developed and implemented a plan for maintaining a strong, stable financial environment, which includes:

- Monitoring and analyzing the District's quarterly revenue estimates and making spending adjustments throughout the year, as necessary;
- Identifying sound measures to enhance revenue streams; and
- Developing and implementing plans to minimize costs without sacrificing essential programs or services.

MAJOR INITIATIVES

Many initiatives and projects have been completed, in progress, or planned to help sustain the District's economy and produce strong financial results. Several of the District's major initiatives and projects are discussed briefly below:

- **Pennsylvania Avenue Great Streets Project:**

  The Pennsylvania Avenue Great Streets Project, which began in November 2009, was substantially completed during fiscal year 2012, with only seasonal planting and other "punch list" items remaining.

  The Pennsylvania Avenue Great Streets Project covers two miles, from 200 feet west of 27th Street, S.E. to Southern Avenue, S.E. on the Maryland border. It runs through the historic neighborhoods of Fairlawn, Randle Highlands, Hillcrest, and Fairfax Village. A portion of the corridor was reduced from five lanes to four. In its place, the District Department of Transportation (DDOT) added a landscaped median and turn pockets that protect pedestrians and neighborhood vehicles. Special streetscape treatments were designed to highlight and enhance the retail nodes along the corridor, and DDOT completed the sidewalk network on both

sides of the street for the full length of the corridor. This project also includes multiple Low Impact Development (LID) features, including three environmentally friendly rain gardens. Rain gardens are a method of treating storm runoff by utilizing a mixture of soil and plants to filter out pollutants prior to the runoff entering storm-sewer systems, and local waterways.

This $35.8 million project has dramatically improved this corridor, making it safer for pedestrian and vehicular traffic and much more visually appealing. The District's Great Streets Initiative provided approximately $11 million for the project, and $19.5 million was provided by the American Recovery and Reinvestment Act (ARRA) of 2009. The remainder came from other local and federal sources. The Great Streets Program is a partnership between DDOT, the Office of the Deputy Mayor for Planning and Economic Development, and the Office of Planning.

- **U.S. Department of Homeland Security Headquarters (St. Elizabeth's West Campus)**:

In September 2009, the U.S. Department of Homeland Security (DHS) and the U.S. General Services Administration broke ground for the $3.4 billion consolidated DHS headquarters. DHS is building its headquarters on the west campus of the old St. Elizabeth's Hospital located in Southeast Washington, D.C. The first phase of this project is the new energy-efficient, 1.18 million square foot Coast Guard headquarters facility. Occupancy of the new Coast Guard headquarters facility is slated to begin in 2013.

When completed, the DHS headquarters will house approximately 14,000 employees working in the following DHS components: Transportation Security Administration, Customs and Border Protection, Immigration and Customs Enforcement, and the Federal Emergency Management Administration.

- **CityCenter DC**

Construction began in March 2011 on CityCenter DC, a $700 million complex with 2.5 million square feet of office, residential, and retail space as well as a public plaza and park. Completion of most of the planned project is slated for late 2013.

The principal owner of the CityCenter DC project is the Qatari Diar Real Estate Investment Company. This real estate arm of the Persian Gulf state of Qatar made a $620 million equity investment in the project.

CityCenter DC will include six buildings (two for apartments, two for condominiums, and two for offices), each 10 or 11 stories in height, in keeping with the District's 130-foot height restriction. The six buildings will be connected by a public courtyard. There will be 458 apartments, 216 condominiums, 185,000 square feet of retail space, 515,000 square feet of office space and four levels of underground parking. A luxury hotel is also planned for the project's second phase.

- **Convention Center Hotel**

On November 10, 2010, the District broke ground on the 14-story Washington Convention Center Marriott Marquis Hotel. One of only four Marriott Marquis properties in the country, the hotel will have 1,175 rooms (including 46 suites) and more than 53,000 square feet of meeting space. The hotel will feature an elegant lobby and five separate retail and restaurant outlets on the ground floor; a 30,000-square foot grand ballroom; two 10,800-square foot junior ballrooms; an 18,800-sqaure foot indoor event terrace; and a 5,200 square foot rooftop terrace.

The estimated cost of this project is $520 million. District officials approved $206 million in funding for the hotel during the summer of 2010 and the developer secured financing from private investors. The four-star boutique-style hotel, a mix of glass and steel, is scheduled to open in the spring of 2014.

The project will create about 1,600 construction jobs and more than 1,000 jobs at the hotel when completed.

- **D.C. Streetcar**

The District plans to build a $1.5 billion network of eight streetcar lines throughout the city by 2020, providing transit links in areas currently lacking Metrorail access. Construction on the project began in 2008. The first two lines, H Street/Benning Road in Northeast and Martin Luther King Boulevard in Anacostia, are scheduled to begin ferrying riders during 2013.

Approximately 80% of the construction for the H Street/Benning Road line was completed in 2011 as part of the Great Street project. The remaining 20% of the work began in December 2012.

Construction activities along the Anacostia Corridor are also progressing. The Anacostia Initial Line Segment is a 1.1 mile planned streetcar line connecting the Anacostia Metro Station with the Joint Base Anacostia-Bolling. This line will include a storage yard and maintenance facility. This segment will be used as a testing and commissioning track for streetcar vehicles prior to being put into service.

The District purchased its first "modern streetcars" in late 2009. These cars are approximately eight feet wide and approximately 66 feet long, about 10 inches narrower than and one-third the length of a light rail double car train. The modern streetcars are able to operate in mixed traffic and can easily accommodate existing curbside parking and loading.

The District's existing vehicles will be stored at the Anacostia facility with vehicle testing and commissioning slated to begin in mid-to-late February 2013.

Several District projects and initiatives have been implemented with a focus on protecting the environment. Two of these initiatives are described more fully below:

- **Capital Bikeshare:** In September 2010, the District launched Capital Bikeshare, a regional bike sharing network of 1,100 bicycles throughout the District, and Arlington, Virginia. Bikes are docked at bike stations in the District and Arlington, where they remain locked to racks until a Capital Bikeshare member releases one for use. Anyone can become a Bikeshare member by paying the following fees: for 24 hours, $5; for 30 days, $25; or for a full year, $75.

  Members who sign up for longer than a day receive palm-size bar-coded cards. These cards are slipped into a slot to release a bike. The first 30 minutes of each ride are free, after which the charges are: $1.50 for the next 30 minutes; $3 for the third half-hour; and $6 for each 30-minute period after that.

  Amounts owed are billed to the member's credit card and $1,000 is charged if a bike is not returned within 24 hours. The billing system is activated with the insertion of the bar-coded membership card at the bike station, and another insertion when the bike is returned, both of which are transmitted to Bikeshare headquarters through a wireless, solar-powered communications network.

  Each station begins the day with about 10 bikes and five empty docking spaces. On the Capital Bikeshare Website, a click of the mouse on each station reveals the number of bikes which are available at any given moment, and the number of docking stations which are open for those who want to return a bike. Capital Bikeshare is the nation's largest program of its type. Members of Congress are encouraging the National Park Service to allow Capital Bikeshare stations on the National Mall to offer an innovative, cost-effective and environment-friendly transportation service for the millions of people who visit the National Mall annually.

- **Anacostia River Clean Up and Protection Fund/ Carryout Bag Fees:** During fiscal year 2010, the District established the Anacostia River Clean Up and Protection Fund, which is to be used solely to fund efforts to clean and protect the Anacostia River and the other impaired waterways.

  In January 2010, to help fund such efforts, the District began levying a five-cent "bag tax" on District consumers. A consumer making a purchase from a retail establishment within the District must pay, at the time of purchase, a fee of five cents for each disposable carryout bag he or she receives. During fiscal year 2012, the District collected approximately $2.0 million in bag taxes. Since the inception of the tax in 2010, the District has collected more than $5.3million in such taxes.

The District also makes every effort to implement initiatives that will enhance service to District residents and the general public. Over the last several years, the District has introduced numerous innovative initiatives to improve service delivery, some of which included the following:

- **Pay-By-Phone Parking.** The Pay-By-Phone Parking initiative, designed to make parking in the District more convenient, was implemented in fiscal year 2011.

  The District Department of Transportation rolled out the pay-by-phone parking program on a District-wide basis to enable residents, workers, and visitors to use their mobile telephones to pay for parking at all of the District's approximately 17,000 on-street metered spaces. Pay-by-phone parking gives drivers another convenient payment option. Instead of feeding cash or a credit card into a meter, transactions may be completed by telephone, on the Internet, or by using a mobile application ("app") (available for the iPhone, Android, and Blackberry).

- **DC311 Smartphone App:** In April 2012, the District launched the DC311 free smartphone app, which may be used by residents to report up to 80 different common, non-emergency quality-of-life issues, such as potholes, graffiti, downed trees, and streetlight outages. The DC311 app may also be used to upload pictures and track the status of requests made. In addition, a mapping function may be used to determine where requests have been made.

  The DC311 Smartphone App, together with the Citywide Call Center and 311 Online, offer ways by which the community can report non-emergency problems that need to be rectified. Information from each of these sources is funneled into one centralized database for monitoring and resolution.

Additional information about these and other initiatives within the District may be obtained from the following:

- **Office of the Deputy Mayor for Planning & Economic Development**
  John A. Wilson Building
  1350 Pennsylvania Avenue, N.W., Suite 317
  Washington, D.C. 20004
  Telephone: (202) 727-6365
  Website: http://dcbiz.dc.gov

- **District Department of Transportation**
  55 M Street, S.E., Suite 400
  Washington, D.C. 20003
  Telephone: (202) 673-6813
  Website: http://ddot.dc.gov

- **Office of Planning**
  1100 Fourth Street, S.W., Suite E650
  Washington, D.C. 20024
  Telephone: (202) 442-7600
  Website: http://planning.dc.gov

- **Department of Parks and Recreation**
  3149 16th Street, N.W.
  Washington, D.C. 20010
  Telephone: (202) 673-7647
  Website: http://dpr.dc.gov

- **Department of General Services**
  2000 14th Street, N.W., 8th Floor
  Washington, D.C. 20009
  Telephone: (202) 727-2800
  Website: http://dgs.dc.gov

- **U.S. General Services Administration**
  1800 F Street, N.W.
  Washington, D.C. 20405
  Telephone: (202) 501-0705
  Website: http://www.gsa.gov

AWARDS AND ACKNOWLEDGMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District of Columbia for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2011. The District has received this award for twenty-eight of the last thirty years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the fiscal year 2012 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

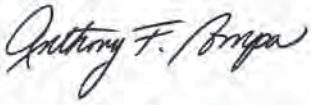
The District also earned an award from GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended September 30, 2011, for the ninth consecutive year. The PAFR presents the District's financial results in a format and language that allows information to be more easily understood by the general public. The PAFR is not required to present the same level of detail as the CAFR. It contains very few financial statements, less technical language, and more graphics and photographs.

Like the Certificate of Achievement, the Award for Popular Annual Financial Reporting is valid for one year only. The District expects that the fiscal year 2012 PAFR, which will be issued within 30 days after the CAFR is completed, will conform to the Award for Popular Annual Financial Reporting Program requirements. It will also be submitted to the GFOA to determine its eligibility for another award.

Acknowledgments

I would like to thank the District's accounting and financial management personnel who worked collaboratively with the Office of Financial Operations and Systems throughout the year. I greatly appreciate their efforts, which contribute significantly to the timely preparation of the CAFR. I want to thank my immediate staff, *Bill Slack, Diji Omisore, Tonja Lowe, Wilma Matthias, Vanessa Jackson,* and their respective teams. I am grateful for their dedicated efforts. I would also like to thank the Office of the Inspector General, and the District's independent auditors, KPMG LLP, assisted by Bert Smith & Company, for their efforts throughout the audit engagement.

Respectfully submitted,



Anthony F. Pompa
Deputy Chief Financial Officer
Financial Operations and Systems

DISTRICT OF COLUMBIA PRINCIPAL OFFICIALS
January 2, 2013

ELECTED OFFICIALS

Name	Position	First Took Office	Term Expires
	Chief Executive Officer		
Vincent C. Gray	Mayor	2011	2015
	Council		
Phil Mendelson	Chairman	1999	2015
David Catania	At Large	1997	2015
David Grosso	At Large	2013	2017
Anita Bonds	At Large	2012	2013
Vincent Orange	At Large	2011	2017
Jim Graham	Ward 1	1999	2015
Jack Evans	Ward 2	1991	2017
Mary M. Cheh	Ward 3	2007	2015
Muriel Bowser	Ward 4	2007	2017
Kenyan McDuffie	Ward 5	2012	2015
Tommy Wells	Ward 6	2007	2015
Yvette M. Alexander	Ward 7	2007	2017
Marion Barry, Jr.	Ward 8	2005	2017
	House of Representatives		
Eleanor Holmes Norton	Delegate	1991	2015

EXECUTIVE OFFICERS

Name	Position
Allen Lew	City Administrator
Natwar M. Gandhi	Chief Financial Officer
Irvin B. Nathan	Attorney General
Christopher Murphy	Chief of Staff
Cynthia Brock-Smith	Secretary of the District of Columbia
Jennifer Leonard	Interim Deputy Mayor for Education
Victor L. Hoskins	Deputy Mayor for Planning and Economic Development
Paul Quander	Deputy Mayor for Public Safety and Justice
Beatriz Otero	Deputy Mayor for Health and Human Services
Eric Goulet	Director of the Mayor's Office of Budget and Finance
Kaya Henderson	Chancellor for D.C. Public Schools
Charles J. Willoughby	Inspector General
Gordon McDonald	Deputy CFO, Budget and Planning
Anthony F. Pompa	Deputy CFO, Financial Operations and Systems
Jeffrey Barnette	Deputy CFO, Finance and Treasury
Fitzroy Lee	Deputy CFO, Revenue Analysis
Stephen Cordi	Deputy CFO, Tax and Revenue
Cyril Byron, Jr.	Associate CFO, Economic Development and Regulation
Mohamed Mohamed	Associate CFO, Governmental Operations
George Dines	Associate CFO, Government Services
Delicia Moore	Interim Associate CFO, Human Support Services
Angelique Hayes	Associate CFO, Public Safety and Justice
Deloras A. Shepherd	Associate CFO, Elementary and Secondary Education
Buddy Roogow	Executive Director, D.C. Lottery

DISTRICT OF COLUMBIA PRINCIPAL OFFICIALS
September 30, 2012

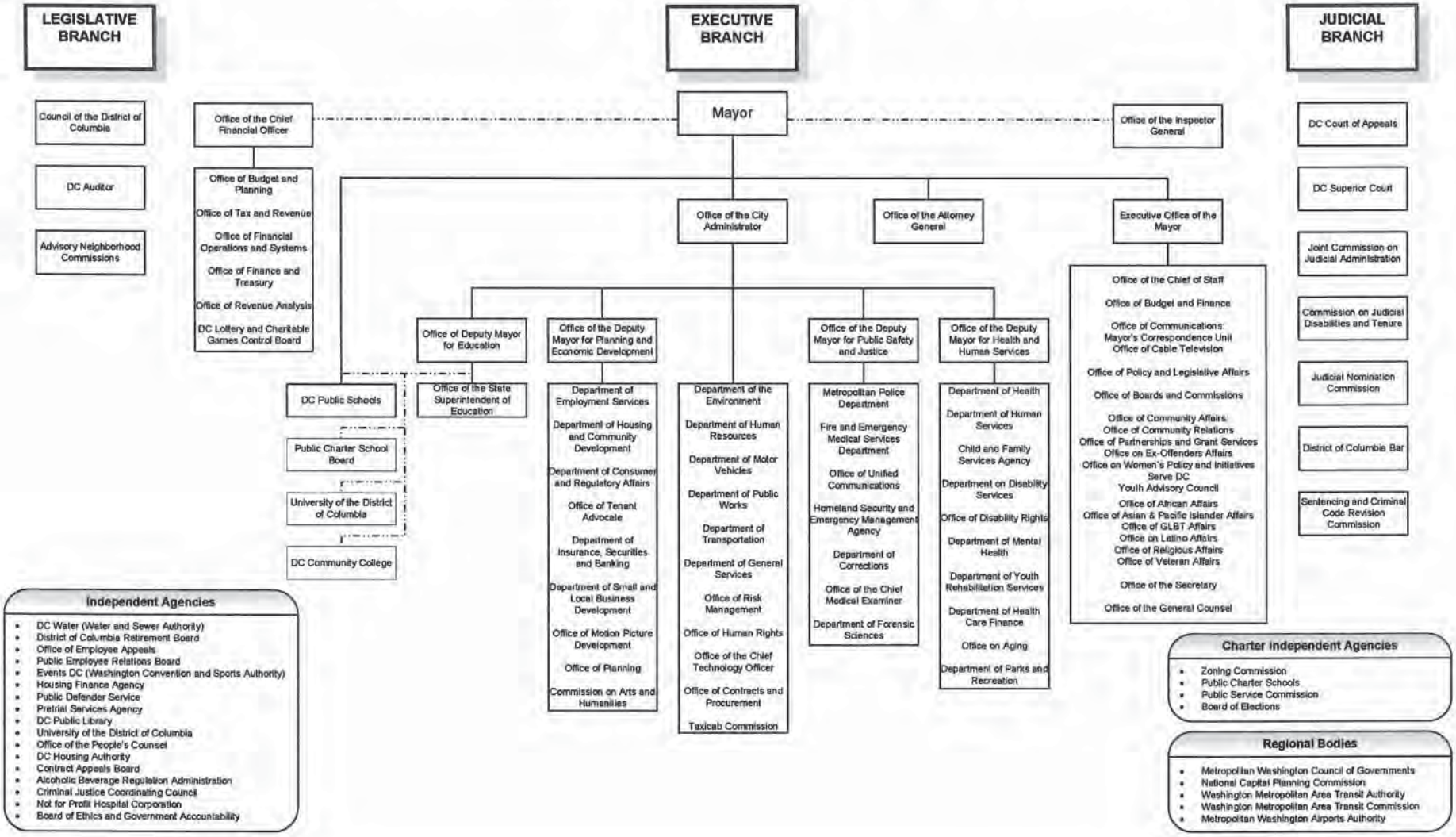
ELECTED OFFICIALS

Name	Position	First Took Office	Term Expires
	Chief Executive Officer		
Vincent C. Gray	Mayor	2011	2015
	Council		
Phil Mendelson	Interim Chairman	1999	2012
Michael A. Brown	At Large	1997	2012
David Catania	At Large	2013	2015
Phil Mendelson	At Large	2012	2015
Vincent Orange	At Large	2011	2015
Jim Graham	Ward 1	1999	2015
Jack Evans	Ward 2	1991	2012
Mary M. Cheh	Ward 3	2007	2015
Muriel Bowser	Ward 4	2007	2012
Kenyan McDuffie	Ward 5	2012	2015
Tommy Wells	Ward 6	2007	2015
Yvette M. Alexander	Ward 7	2007	2012
Marion Barry, Jr.	Ward 8	2005	2012
	House of Representatives		
Eleanor Holmes Norton	Delegate	1991	2012

EXECUTIVE OFFICERS

Name	Position
Allen Lew	City Administrator
Natwar M. Gandhi	Chief Financial Officer
Irvin B. Nathan	Attorney General
Christopher Murphy	Chief of Staff
Cynthia Brock-Smith	Secretary of the District of Columbia
De'Shawn Wright	Deputy Mayor for Education
Victor L. Hoskins	Deputy Mayor for Planning and Economic Development
Kaya Henderson	Chancellor for D.C. Public Schools
Charles J. Willoughby	Inspector General
Gordon McDonald	Deputy CFO, Budget and Planning
Anthony F. Pompa	Deputy CFO, Financial Operations and Systems
Jeffrey Barnette	Deputy CFO, Finance and Treasury
Fitzroy Lee	Deputy CFO, Revenue Analysis
Stephen Cordi	Deputy CFO, Tax and Revenue
Cyril Byron, Jr.	Associate CFO, Economic Development and Regulation
Mohamed Mohamed	Associate CFO, Governmental Operations
George Dines	Associate CFO, Government Services
Delicia Moore	Interim Associate CFO, Human Support Services
Angelique Hayes	Associate CFO, Public Safety and Justice
Deloras A. Shepherd	Associate CFO, Elementary and Secondary Education
Buddy Roogow	Executive Director, D.C. Lottery

GOVERNMENT OF THE DISTRICT OF COLUMBIA


LEGISLATIVE BRANCH
Council of the District of Columbia
DC Auditor
Advisory Neighborhood Commissions
EXECUTIVE BRANCH
Mayor
Office of the Chief Financial Officer
Office of Budget and Planning
Office of Tax and Revenue
Office of Financial Operations and Systems
Office of Finance and Treasury
Office of Revenue Analysis
DC Lottery and Charitable Games Control Board
Office of the Inspector General
Office of the City Administrator
Office of the Attorney General
Executive Office of the Mayor
Office of the Chief of Staff
Office of Budget and Finance
Office of Communications:
Mayor's Correspondence Unit
Office of Cable Television
Office of Policy and Legislative Affairs
Office of Boards and Commissions
Office of Community Affairs:
Office of Community Relations
Office of Partnerships and Grant Services
Office on Ex-Offenders Affairs
Office on Women's Policy and Initiatives
Serve DC
Youth Advisory Council
Office of African Affairs
Office of Asian & Pacific Islander Affairs
Office of GLBT Affairs
Office on Latino Affairs
Office of Religious Affairs
Office of Veteran Affairs
Office of the Secretary
Office of the General Counsel
Office of Deputy Mayor for Education
DC Public Schools
Office of the State Superintendent of Education
Public Charter School Board
University of the District of Columbia
DC Community College
Office of the Deputy Mayor for Planning and Economic Development
Department of Employment Services
Department of Housing and Community Development
Department of Consumer and Regulatory Affairs
Office of Tenant Advocate
Department of Insurance, Securities and Banking
Department of Small and Local Business Development
Office of Motion Picture Development
Office of Planning
Commission on Arts and Humanities
Department of the Environment
Department of Human Resources
Department of Motor Vehicles
Department of Public Works
Department of Transportation
Department of General Services
Office of Risk Management
Office of Human Rights
Office of the Chief Technology Officer
Office of Contracts and Procurement
Taxicab Commission
Office of the Deputy Mayor for Public Safety and Justice
Metropolitan Police Department
Fire and Emergency Medical Services Department
Office of Unified Communications
Homeland Security and Emergency Management Agency
Department of Corrections
Office of the Chief Medical Examiner
Department of Forensic Sciences
Office of the Deputy Mayor for Health and Human Services
Department of Health
Department of Human Services
Child and Family Services Agency
Department on Disability Services
Office of Disability Rights
Department of Mental Health
Department of Youth Rehabilitation Services
Department of Health Care Finance
Office on Aging
Department of Parks and Recreation
JUDICIAL BRANCH
DC Court of Appeals
DC Superior Court
Joint Commission on Judicial Administration
Commission on Judicial Disabilities and Tenure
Judicial Nomination Commission
District of Columbia Bar
Sentencing and Criminal Code Revision Commission
Independent Agencies
DC Water (Water and Sewer Authority)
District of Columbia Retirement Board
Office of Employee Appeals
Public Employee Relations Board
Events DC (Washington Convention and Sports Authority)
Housing Finance Agency
Public Defender Service
Pretrial Services Agency
DC Public Library
University of the District of Columbia
Office of the People's Counsel
DC Housing Authority
Contract Appeals Board
Alcoholic Beverage Regulation Administration
Criminal Justice Coordinating Council
Not for Profit Hospital Corporation
Board of Ethics and Government Accountability
Charter Independent Agencies
Zoning Commission
Public Charter Schools
Public Service Commission
Board of Elections
Regional Bodies
Metropolitan Washington Council of Governments
National Capital Planning Commission
Washington Metropolitan Area Transit Authority
Washington Metropolitan Area Transit Commission
Metropolitan Washington Airports Authority

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Government of the District of Columbia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Christopher P Morrill
President

Jeffrey L. Esser
Executive Director

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CAFR

FINANCIAL SECTION

2012

VINCENT C. GRAY • MAYOR
NATWAR M. GANDHI • CHIEF FINANCIAL OFFICER

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

INDEPENDENT AUDITORS' REPORT

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditor's Report

The Mayor and the Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the budgetary comparison statement, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia (the District), as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the District of Columbia Water and Sewer Authority and District of Columbia Housing Finance Agency, both discretely presented component units of the District, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the District of Columbia as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison statement for the general and federal and private resources funds for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information presented in the financial section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The statements and schedules described as other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information presented in the financial section, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

January 28, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2012

(Dollar amounts expressed in thousands)

The following is a discussion and analysis of the District of Columbia's (the District's) financial performance for the fiscal year ended September 30, 2012, which includes a narrative overview and analysis of the District's financial activities. This information should be read in conjunction with the transmittal letter, located in the Introductory Section of this report, and the District's basic financial statements and note disclosures, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities as of September 30, 2012, by $3,562,587. The District had negative unrestricted net assets totaling $597,677 at the end of fiscal year 2012. (See Table MDA-1)
- The District's total net assets increased by $361,794 as a result of an increase of $489,424 in revenues and a smaller increase of $266,447 in expenses in fiscal year 2012.
- General revenues increased by approximately $500,616 due to significant increases in income and franchise taxes, and property taxes totaling $300,307 and $141,380, respectively. Expenses increased by $266,447 over the one-year period. Higher than expected increases in revenues from sales and use taxes and charges for services combined with the implementation of self-imposed cost reduction plans contributed to the increase in net assets. (See Table MDA-2)
- As of September 30, 2012, the District's governmental funds reported combined ending fund balances of $1,931,894, an increase of $205,260 in comparison with the prior year. (See Table MDA-3)
- The District's total long-term liabilities increased by $433,949, or 5.0%, during fiscal year 2012. This increase resulted, in large part, from the District's issuance of Income Tax Secured Revenue Bonds during the year. The District issued $956,565 in Income Tax Secured Revenue Bonds to fund infrastructure improvements/capital projects and refund certain series of outstanding bonds. The amount of District bonds defeased through the fiscal year 2012 refundings totaled $623,535. Other factors which contributed to the increase in long-term liabilities include the issuance of Tax Increment Financing Bonds totaling $91,015.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements

In general, the purpose of financial reporting is to provide users of financial statements with information that will help them make decisions or reach conclusions about a reporting entity. Many parties use the District's financial statements; however, they do not always use them for the same purpose. In order to address the needs of as many financial statement users as possible, the District, in accordance with generally accepted accounting principles (GAAP) presents: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements.

Government –Wide Financial Statements

The government-wide financial statements focus on the District's overall financial position and activities, and include a *statement of net assets* and a *statement of activities*. These financial statements report on the primary government and its component units. The primary government is further divided into governmental activities and business-type activities.

The purpose of the *statement of net assets* is to report all of the assets held and the liabilities owed by the District at the end of the fiscal year. The difference between the District's total assets and total liabilities is classified as net assets. Total net assets is comprised of three components: 1) *net assets invested in capital assets, net of related debt; 2) restricted net assets;* and *3) unrestricted*

net assets (deficit). Although the District does not focus its operations on accumulating net assets, in general, gauging increases or decreases in net assets is one way to assess the District's financial position over time. Other factors, such as changes in population, the property tax base, infrastructure conditions, and other non-financial matters, should also be considered when assessing the District's overall financial health.

The purpose of the *statement of activities* is to present the District's revenues and expenses. The difference between revenues and expenses is reported as "change in net assets". All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement also include items that will result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The *statement of activities* summarizes both the gross and net cost of the governmental activities and business-type activities. Governmental activities include the District's basic functional services which are generally financed through taxes, intergovernmental revenues and other revenues. Business-type activities include enterprise operations which are primarily funded by fees for services which are expected to cover all or most of the costs of operations, including depreciation. Program or functional expenses are reduced by program-specific earned revenues, and by grants and contributions.

The District's government-wide financial statements are presented on pages 44 and 45 of this report.

Fund Financial Statements

Unlike the government-wide financial statements, the fund financial statements focus on specific District activities rather than the District as a whole. Specific funds are established to maintain managerial control over resources or to comply with legal requirements established by external parties, governmental statutes, or regulations. The District's fund financial statements are divided into three categories: (1) governmental funds; (2) proprietary funds; and (3) fiduciary funds.

Financial statements of the governmental funds consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balance. These statements are prepared using a basis of accounting which differs from that used to prepare the government-wide statements. Financial statements of the governmental funds focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting. However, government-wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting. Financial statements of the governmental funds have a short-term emphasis, and generally measure and account for cash and other assets that can easily be converted to cash. As such, these statements present the District's financial position at the end of the fiscal year and how the governmental activities were financed during the year.

The balances and activities accounted for in governmental funds are also reported in the governmental activities column of the government-wide financial statements; however, because different accounting bases are used to prepare fund financial statements and government-wide financial statements, there are often significant differences in the totals presented in these statements. Therefore, an analysis is presented at the bottom of the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column of the statement of net assets. In addition, there is an analysis following the statement of revenues, expenditures, and changes in fund balances that reconciles the total net change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column of the government-wide statement of activities.

Consistent with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District identified its nonspendable fund balance and further classified spendable fund balance as restricted, committed, assigned, or unassigned based on the relative strength of the constraints controlling how specific amounts may be used. Statement No. 54 also provides guidance for classifying and reporting stabilization amounts and clarifies the definitions of the general fund type, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. Accordingly, the District reviewed its use of the various fund types to ensure compliance with the guidance contained in GASB Statement No. 54.

The District presents funds that are significant to the District (major funds) in separate columns. All other governmental funds are aggregated and reported in a single column (nonmajor funds).

The financial statements of the District's governmental funds are presented on pages 46 through 49 of this report.

Financial statements of the proprietary funds consist of a statement of net assets; a statement of revenues, expenses, and changes in fund net assets; and a statement of cash flows. These statements are prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements. The District's proprietary funds are used to account for the activities of District entities that charge customers fees for

the services provided. The financial statements of the District's proprietary funds present the changes in financial position and condition of the District's two major proprietary funds, the D.C. Lottery & Charitable Games Board and the Unemployment Compensation Fund.

The Unemployment Compensation Fund is reported as a proprietary fund similar to a public entity risk pool because the District is required by law to recover its costs.

The financial statements of the District's proprietary funds are presented on pages 50 through 52 of this report.

Financial statements of the fiduciary funds consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These statements are prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements. Assets held by the District (either as a trustee or as an agent) for other parties, that cannot be used to finance the District's operating programs, are reported in the fiduciary funds. The District is responsible for ensuring that the activities reported in the fiduciary funds are consistent with each fund's intended purpose.

The financial statements of the District's fiduciary funds are presented on pages 53 and 54 of this report.

Component Units

Combining financial statements, presented on pages 55 and 56, report the financial data for the District's discretely presented component units.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements, which begin on page 57, present additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress toward funding its obligation to provide pension and other postemployment benefits to District employees. Required supplementary information can be found on pages 133 through 135 of this report.

Financial statements of individual funds, combining statements (in connection with nonmajor governmental funds), and supporting schedules are presented immediately following the required supplementary information on postemployment benefits. Financial statements of individual funds and combining statements and schedules can be found in the other supplementary information presented on pages 137 through 163 of this report.

OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND OPERATIONS

The District's overall financial position improved as a result of the year's activities. The District's financial position and operations for the past two fiscal years are summarized in **Tables MDA-1 and MDA-2**. The information for fiscal years 2011 and 2012 is based on the government-wide financial statements presented on pages 44 and 45 of this report.

Table MDA-1 - Net Assets as of September 30, 2012

	Governmental activities		Business-type activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 4,266,717	$ 3,964,874	$ 324,372	$ 339,309	$ 4,591,089	$ 4,304,183
Capital assets	10,424,959	9,815,312	480	478	10,425,439	9,815,790
Total assets	14,691,676	13,780,186	324,852	339,787	15,016,528	14,119,973
Long-term liabilities	9,164,291	8,723,811	16,381	22,912	9,180,672	8,746,723
Other liabilities	2,198,815	2,085,790	74,454	86,667	2,273,269	2,172,457
Total liabilities	11,363,106	10,809,601	90,835	109,579	11,453,941	10,919,180
Net assets:						
Invested in capital assets, net of related debt	2,872,272	2,534,538	480	478	2,872,752	2,535,016
Restricted	1,057,582	963,694	229,930	226,229	1,287,512	1,189,923
Unrestricted	(601,284)	(527,647)	3,607	3,501	(597,677)	(524,146)
Total net assets	**$ 3,328,570**	**$ 2,970,585**	**$ 234,017**	**$ 230,208**	**$ 3,562,587**	**$ 3,200,793**

Table MDA- 2 - Change in Net Assets for the year ended September 30, 2012

	Governmental activities		Business-type activities		Totals		
	2012	2011	2012	2011	2012	2011	Variance
Revenues:							
Program revenues:							
Charges for services	$ 537,403	$ 490,101	$ 249,675	$ 235,884	$ 787,078	$ 725,985	$ 61,093
Operating grants and contributions	3,190,038	3,343,747	27,945	34,968	3,217,983	3,378,715	(160,732)
Capital grants and contributions	261,411	172,964	-	-	261,411	172,964	88,447
General revenues:							
Property taxes	1,945,071	1,803,691	-	-	1,945,071	1,803,691	141,380
Sales and use taxes	1,218,576	1,121,257	-	-	1,218,576	1,121,257	97,319
Income and franchise taxes	1,956,590	1,656,283	-	-	1,956,590	1,656,283	300,307
Other taxes	723,102	682,201	133,618	128,875	856,720	811,076	45,644
Non tax revenues	536,534	569,522	187,073	238,119	723,607	807,641	(84,034)
Total revenues	**10,368,725**	**9,839,766**	**598,311**	**637,846**	**10,967,036**	**10,477,612**	**489,424**
Expenses:							
Governmental direction and support	987,978	783,557	-	-	987,978	783,557	204,421
Economic development and regulation	353,618	370,592	-	-	353,618	370,592	(16,974)
Public safety and justice	1,490,423	1,521,863	-	-	1,490,423	1,521,863	(31,440)
Public education system	2,113,955	2,086,722	-	-	2,113,955	2,086,722	27,233
Human support services	3,925,613	3,889,812	-	-	3,925,613	3,889,812	35,801
Public works	587,002	489,304	-	-	587,002	489,304	97,698
Public transportation	221,339	257,703	-	-	221,339	257,703	(36,364)
Interest on long-term debt	397,216	356,164	-	-	397,216	356,164	41,052
Lottery and games	-	-	183,185	169,526	183,185	169,526	13,659
Unemployment compensation	-	-	344,913	413,552	344,913	413,552	(68,639)
Total expenses	**10,077,144**	**9,755,717**	**528,098**	**583,078**	**10,605,242**	**10,338,795**	**266,447**
Increase in net assets before transfers	**291,581**	**84,049**	**70,213**	**54,768**	**361,794**	**138,817**	**222,977**
Transfers in (out)	66,404	71,311	(66,404)	(71,311)	-	-	-
Change in net assets	357,985	155,360	3,809	(16,543)	361,794	138,817	222,977
Net assets - Oct 1	2,970,585	2,815,225	230,208	246,751	3,200,793	3,061,976	138,817
Net assets - Sept 30	**$ 3,328,570**	**$ 2,970,585**	**$ 234,017**	**$ 230,208**	**$ 3,562,587**	**$ 3,200,793**	**$ 361,794**

Please refer to Note 1W – *Reconciliation of Government-Wide and Fund Financial Statements*, on page 76 for additional information on the differences between the two bases of accounting that the District used in this report.

Financial Analysis of the Government as a Whole

- The District's combined net assets (governmental and business-type activities) increased by $361,794 or 11.3%, from $3,200,793 in fiscal year 2011 to $3,562,587 in fiscal year 2012. This increase in net assets resulted from an increase in revenues totaling $489,424. In addition, expenses in Public Safety and Justice, Economic Development and Regulation, and Public Transportation decreased by $31,440, $16,974, and $36,364, respectively, as a result of cost-saving measures implemented by the District.

  Much of the reduced spending in Public Safety and Justice was attributable to cost-saving measures implemented at the Department of Corrections. The department awarded a healthcare contract that coupled healthcare and pharmaceuticals as a cost-saving initiative. In addition, the Department of Corrections sought other ways to lower its non-personnel services costs. For instance, the department renegotiated its warehouse contract which netted substantial savings, and the department's equipment costs were lowered. Moreover, reductions were made in the department's inmate food contract.

  The decreased expenditures in Economic Development and Regulation are attributable, in large part, to two agencies, the Department of Housing and Community Development (DHCD) and the Department of Employment Services (DOES).

  1. DHCD achieved reductions in the cost of Residential and Community Services related to the Home Purchase Assistance Program. In addition, DHCD's fixed costs decreased significantly from the prior year.

  2. Reductions in DOES's expenditures were due to decreases in subsidies and transfers in the Workforce Development Division; reduced costs associated with supplies, materials, and equipment purchases; reductions in non-personnel services costs related to the Summer Youth Employment Program; and the elimination of full-time equivalents (FTEs) as part of the agency's efforts to streamline operations.

  The District Department of Transportation's restructuring and consolidation of certain divisions and functions produced substantial savings in fiscal year 2012.

Restricted net assets are assets that are subject to use constraints imposed either: (a) externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or (b) by law, through constitutional provisions or enabling legislation. Restricted net assets totaled $1,287,512 in fiscal year 2012 and $1,189,923 in fiscal year 2011, representing an increase of $97,589, or 8.2%. Most of this increase is due to more funds being held for debt service, grants, and special purposes.

Total net assets of governmental activities was $3,328,570 in fiscal year 2012, which was $357,985 or 12.1%, more than total net assets of governmental activities in fiscal year 2011. Governmental Activities expenses increased by $321,427 from the prior year and Governmental Activities revenues increased by $528,959.

Total net assets increased mainly because of effective management of expenditures and increases in revenues from property taxes, income and franchise taxes, and sales and use taxes. However, negative unrestricted net assets increased to ($597,677) in fiscal year 2012, compared to ($524,146) in fiscal year 2011, because the District has certain long-term liabilities which are funded on a pay-as-you-go basis. Therefore, resources or assets were not accumulated in advance but were appropriated as these liabilities became due.

The Lottery and Charitable Games Control Board (the Lottery), an enterprise fund of the primary government, transfers substantially all of its net income to the District at the end of each fiscal year. In fiscal years 2012 and 2011, the Lottery transferred $66,404 and $62,175 to the District's General Fund, respectively. The Lottery's transfer was the only transfer from the proprietary funds to the primary government in fiscal year 2012.

Chart MDA-1 graphically depicts the District's sources of revenues in its governmental activities as presented in **Table MDA-2,** *Change in Net Assets for the year ended September 30, 2012*, found on page 28.

Chart MDA-1 – Revenues by Source – Governmental Activities

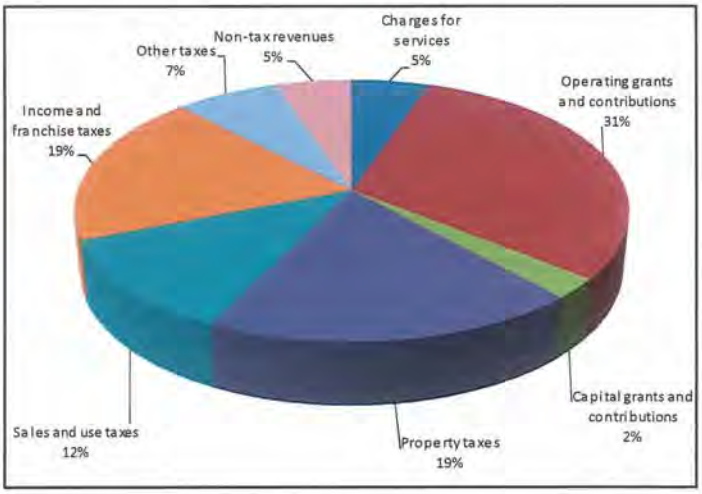
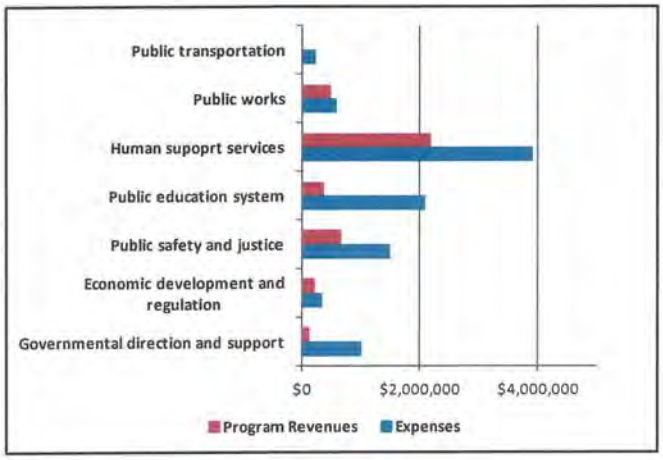

Charges for services 5%
Non-tax revenues 5%
Other taxes 7%
Operating grants and contributions 31%
Income and franchise taxes 19%
Capital grants and contributions 2%
Property taxes 19%
Sales and use taxes 12%

Chart MDA-2 displays both expenses and program revenues of selected governmental activities for the fiscal year. The governmental activities are: governmental direction and support, economic development and regulation, public safety and justice, public education, human support services, public works, and public transportation.

Chart MDA-2 – Governmental Activities Expenses and Program Revenues



Total net assets of the business-type activities increased by $3,809, or 1.7%, between fiscal year 2011 and 2012. Business-type activities experienced a moderate change in net assets because although expenses decreased significantly by $54,980, or 9.4%, revenues declined by a smaller amount. The decline in revenues was due mainly to a reduction in federal contributions to the Unemployment Compensation Fund for extended benefits compared to last year.

Reporting on the District's Most Significant Funds

Fund financial statements focus on major funds, instead of fund types. A governmental fund is classified as a major fund if the fund has revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) that are at least 10% of the corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds for the same item. Major funds, as required by generally accepted accounting principles (GAAP), are presented individually with nonmajor governmental funds combined in a single column. Detailed information for individual nonmajor governmental funds can be found in Other Supplementary Information, Exhibits B-1 and B-2, presented on pages 148 and 149 of this report.

Governmental Funds

The District's governmental funds provide information that is useful when assessing the District's financing needs, such as data pertaining to near-term inflows, outflows, and balances of spendable resources. For instance, the amount of unassigned fund balance may serve as a useful measure of the government's net resources that are available for appropriation/spending as of the end of the fiscal year.

Most basic services are reported in the governmental funds, which are further classified as General, Federal and Private Resources, Housing Production Trust Fund, General Capital Improvements, and Nonmajor Governmental Funds. Please refer to Exhibits 2-a and 2-b presented on pages 46 and 47, for more detailed information about these funds.

Fund Balances: The governmental funds reported a combined fund balance of $1,931,894 in fiscal year 2012 and $1,726,634 in fiscal year 2011, which represents an increase of $205,260, or 11.9%, from the prior year. The components of the combined fund balance of the governmental funds are presented in **Table MDA-3**.

Table MDA-3 – Comparison of FY 2012 and FY 2011 Fund Balance

Governmental Fund	FY 2012 Balance	FY 2011 Balance	Dollar Variance	Percentage Variance
General	$ 1,506,521	$ 1,104,894	$ 401,627	36.3%
Federal and Private Resources	180,921	183,610	(2,689)	-1.5%
Housing Production Trust	74,379	73,436	943	1.3%
General Capital Improvements	(116,269)	4,970	(121,239)	-2,439.4%
Nonmajor governmental funds	286,342	359,724	(73,382)	-20.4%
Total Fund Balance	**$ 1,931,894**	**$ 1,726,634**	**$ 205,260**	11.9%

Fund balance in the Federal and Private Resources Fund decreased by $2,689 or 1.5% between fiscal years 2011 and 2012. This decrease was due primarily to reductions in operating grant revenue totaling $90,843. Another factor which affected fund balance was a decrease of $62,900 in federal contributions.

Fund balance in the Housing Production Trust Fund increased by $943, or 1.3% between fiscal years 2011 and 2012. This minimal increase was due primarily to a transfer of funds from the General Fund related to housing projects and services.

Fund balance in the General Capital Improvements Fund decreased by $121,239 between fiscal years 2011 and 2012. The General Capital Improvements Fund reported a negative unassigned fund balance at September 30, 2012 because expenditures had been made in the Capital Projects Fund from resources that were advanced from the General Fund in anticipation of bond proceeds. The bond proceeds will be restricted to the purpose for which those expenditures were made.

The most significant changes in the total fund balance of the governmental funds were in the General Capital Improvements Fund and the General Fund, the District's primary operating fund. A more detailed discussion of the District's General Fund follows.

Revenues: General Fund revenues increased by $589,222 as the economy continued to show signs of recovery in fiscal year 2012. **Table MDA-4** presents the most significant one-year variances in General Fund revenues.

Table MDA-4 – Changes in Major General Fund Revenues

Revenue Category	Fiscal Year 2012	Fiscal Year 2011	Dollar Variance	Percentage Variance
Property taxes	$ 1,902,541	$ 1,770,185	$ 132,356	7.5%
Income and franchise taxes	1,956,590	1,656,283	300,307	18.1%
Sales and use taxes	1,183,735	1,066,366	117,369	11.0%
Total	**$ 5,042,866**	**$ 4,492,834**	**$ 550,032**	12.2%

Property tax. Personal property tax collections increased between fiscal years 2011 and 2012 as a result of several factors. Due to the deflating housing bubble and the lingering effects of the economic recession, residential property value declines continued in calendar year 2011 due to fewer residential property sales. This sustained relative weakness in the residential sector continued in calendar year 2012; however, certain classes of property tax collections grew due to rising property values of large apartment buildings and the effect of the assessment cap for many homestead properties. The assessment cap for many homestead properties causes the annual tax liability to increase 10% each year.

In addition, after several years during which market rate sales of commercial property declined, such sales rebounded in fiscal year 2012.

Income and franchise tax. Wages and salaries earned by District residents continued to increase in fiscal year 2012 which led to increased income tax collections through withholdings. The non-withholding component of income tax revenue, which includes declarations (estimated payments), also increased in fiscal year 2012. The behavior of the declarations component is related to the performance of the stock market which continued to gain strength in fiscal year 2012 after sharp declines in several recent years. Consequently, the non-withholding component of income taxes increased.

Corporate franchise tax revenues increased in fiscal year 2012 due in large part to a rebound in the equity markets, and increases in corporate profits.

Sales and use tax. Approximately half of the District's sales tax revenue is generated by hotels, restaurants, and bars and such revenues are closely tied to tourism. In recent years, the slow recovery of the national economy has had a negative impact on tourism in the District. However, as the national economy continued to show signs of recovery in fiscal year 2012, tourism strengthened and sales and use taxes increased.

Also, personal income is an economic driver of sales and use taxes. Between 2011 and 2012, personal income grew significantly which helped to boost sales and use tax related activity within the District.

Dedicated Revenues

The dedicated portions of tax revenues related to the special revenue funds are recorded directly in those funds. However, dedicated taxes for capital project funds are transferred out of the local fund (the major component of the general fund). In fiscal year 2012, the District dedicated a total of $146,886 in tax revenues to fund the projects shown in **Tables MDA-5.**

Expenditures: The District's general fund expenditures, excluding debt service, increased by $273,957 from the previous year. Variances by program or function are presented in **Table MDA-6**.

Table MDA-5 – Dedicated Local Tax Revenues

		Special Revenue Funds			
	Total Dedicated Taxes	Tax Increment Financing Program	PILOT Special Revenue	Baseball Project	Housing Production Trust Fund
Property taxes	$ 32,245	$ 18,576	$ 13,669	$ -	$ -
Sales and use taxes	34,841	22,249	-	12,592	-
Gross receipts taxes	42,638	-	-	42,638	-
Other taxes	37,162	-	-	-	37,162
Total taxes	**$ 146,886**	**$ 40,825**	**$ 13,669**	**$ 55,230**	**$ 37,162**

Table MDA-6 – General Fund Expenditure Variances by Function

Program/ Functional Area	Fiscal Year 2012	Fiscal Year 2011	Dollar Variance	Percentage Variance
Governmental direction and support	$ 694,011	$ 620,426	$ 73,585	11.9%
Economic developnment and regulation	194,458	220,878	(26,420)	-12.0%
Public safety and justice	954,077	993,978	(39,901)	-4.0%
Public education system	1,571,264	1,507,747	63,517	4.2%
Human support services	1,727,072	1,572,717	154,355	9.8%
Public works	311,968	226,783	85,185	37.6%
Public transportation	221,339	257,703	(36,364)	-14.1%
Total Functional Expenditures	**$ 5,674,189**	**$ 5,400,232**	**$ 273,957**	5.1%

Explanations for significant variances in General Fund expenditures are presented below:

Governmental Direction and Support – Although several factors contributed to increased expenditures within Governmental Direction and Support, the establishment of the Department of General Services (DGS) was a significant contributing factor.

Through the creation of DGS, certain functions previously performed in other agencies were consolidated. As a result of this consolidation, certain costs historically incurred in multiple agencies were transferred to DGS. For example, a large number of full-time equivalents (FTEs) were transferred to DGS from other agencies: 273.6 from the Office of Public Education Facilities Modernization (OPEFM); 106.5 FTEs from the facilities and maintenance components of the Department of Parks and Recreation; 242 FTEs from the citywide fixed costs and 5 FTEs from the Metropolitan Police Department. Consequently, as a result of the transfer of these FTEs, DGS incurred the costs of compensation and other related expenses associated with these FTEs.

Human Support Services – Several agencies within Human Support Services experienced increases in expenditures in fiscal year 2012. A significant portion of the increased expenditures were within the Department of Health (DOH) and the Department of Health Care Finance (DHCF).

Department of Health

DOH, through its Community Health Administration, incurred increased costs related to the agency's School Health Nursing Program. The agency also experienced increases in fixed costs and the costs associated with various professional services contracts (including janitorial services for certain of its clinics and the administration of the Rodent and Vector Control Program) and software maintenance.

DOH also incurred additional costs related to: enhancing its HIV/AIDS prevention efforts; providing District residents with access to substance abuse prevention, treatment and recovery support services; and conducting activities related to the administration of the Medical Marijuana Program.

Department of Health Care Finance

Expansion of Medicaid eligibility criteria as part of the healthcare reform legislation impacted expenses related to Medicaid managed care and fee for service. In fiscal year 2012, DHCF experienced increased spending associated with higher fee-for-service enrollments and growth in enrollments related to Medicaid managed care services.

DHCF also experienced increased costs related to increased participation in its Home and Community-Based Services waiver programs. Increased spending also occurred as a result of an increase in the Managed Care Organization rate. Additional funding was used to cover services for Medicaid recipients, immigrant children, and D.C. Healthcare Alliance members.

Public Works – The District Department of Transportation (DDOT) accounted for a significant portion of the increased Public Works expenditures in fiscal year 2012. As part of the restructuring of DDOT, the agency assumed responsibility for all local District transportation, including school transit and the Circulator bus and the related funding was transferred from the Washington Metropolitan Area Transit Authority (WMATA) to DDOT. In fiscal year 2012, DDOT spent these funds by making a transfer to WMATA, the entity which provides the transportation services and operates and maintains the transportation system.

Capital Expenditures and Financing

The District's investments in capital improvements are based on need rather than available current year revenues. It is the District's financial policy to issue bonds to support the expenditures associated with its Capital Improvements Program. In order to minimize the cost of carrying debt, the District has instituted the practice of issuing bonds based on actual expenditures, in some cases, as well as on the annual amount budgeted. However, agencies are authorized to spend their annual appropriated capital budget in advance of financing. The General Fund advances the amount of the funding, and is repaid with the proceeds from the bonds when issued. This allows the District to determine when it will enter the market to issue bonds, based upon cash flow needs, favorable market rates, and the total amount of municipal debt financing and the types of credits that are available. This flexibility helps to minimize borrowing costs and maximize the pool of potential investors for the District's debt issuances.

The District spent $1,114,114 on general capital improvements which exceeded the general capital improvements revenues of $317,580 by $796,534, which is reported as a deficiency in the capital projects fund. This deficiency was subsequently financed mainly with a total of $675,295 from bond proceeds and other financing sources. The net change in the general capital improvements fund balance was a decrease of $121,239.

Proprietary Funds

The District currently has two major Proprietary Funds: the D.C. Lottery & Charitable Games Board (Lottery), and the Unemployment Compensation Fund (Unemployment).

The total assets for the Lottery decreased by $7,669, or 20%, over the prior year, due to scheduled payments to long-term prize winners.

Total assets for Unemployment decreased by $9,426, or 2.8%, due primarily to: (a) payments of claimants' benefits; (b) a decrease in interest earned on monies held in trust in the District's name at the U.S. Department of the Treasury; and (c) a decline in the amounts owed to the Unemployment Compensation Fund by employers. The noted decreases in assets were offset by an increase in claimant receivables and the amount due from other states.

District residents who have exhausted regular District benefits may also participate in the federally funded Emergency Unemployment Compensation (EUC) Program. Pursuant to the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, the EUC program was extended until March 6, 2012. In January 2013, Congress passed legislation to retroactively extend the EUC Program until December 31, 2013. Between 2011 and 2012, there was a $173 ($173 thousand) decrease in the amount owed to Unemployment by the federal government for extended benefits.

Overall total net assets of the District's proprietary funds increased by $3,809, or 1.7%, over the prior year, due in large part to the factors mentioned above. Exhibits 3-a, 3-b, and 3-c on pages 50 through 52 present the financial statements of the proprietary funds.

Charts MDA-3 and MDA-4 graphically present comparisons of the revenues and expenses of the District's proprietary funds, based on information contained in the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds, shown on page 51 of this report.

Chart MDA-3 – Operating Revenues and Expenses – Business-type Activities

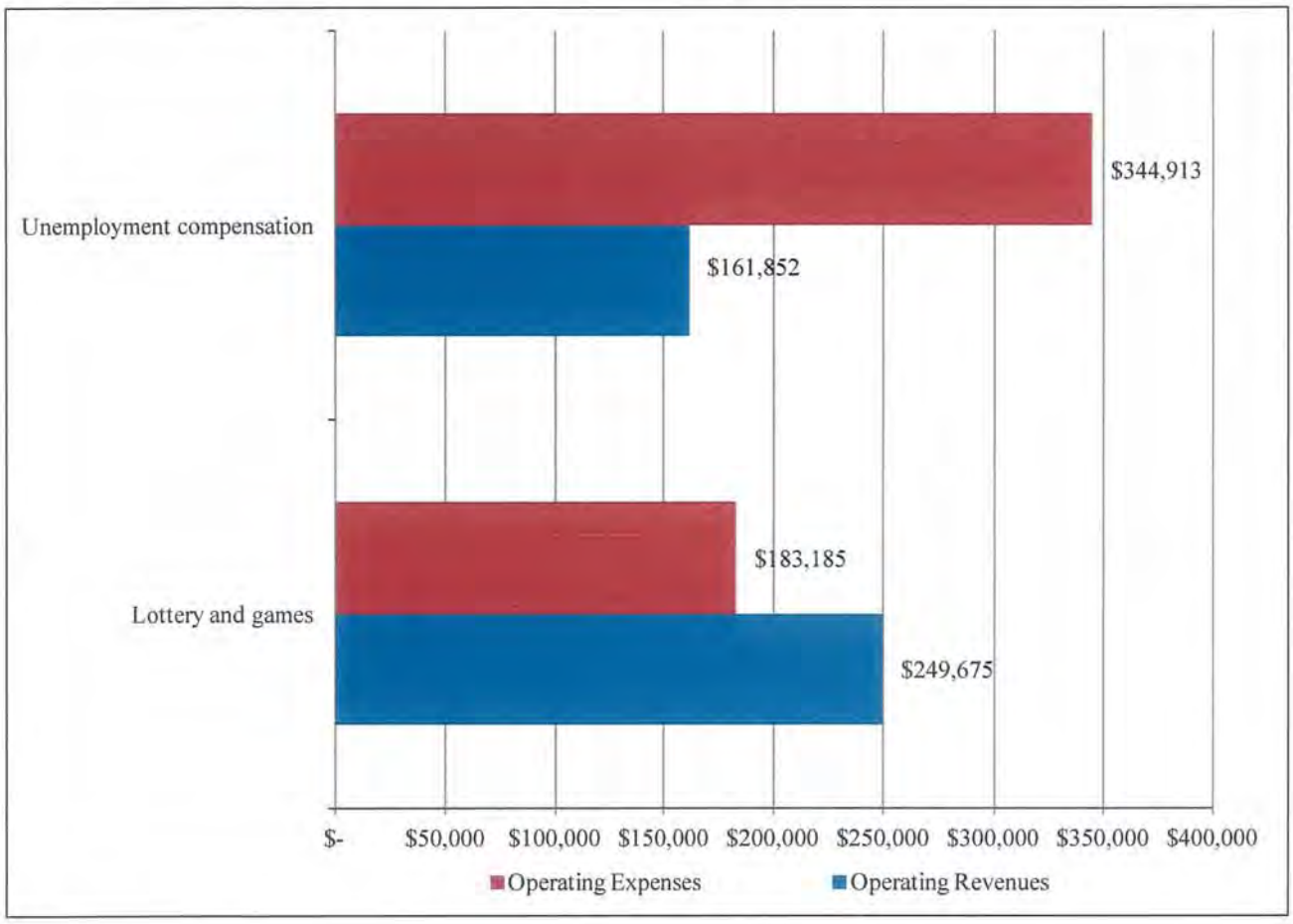
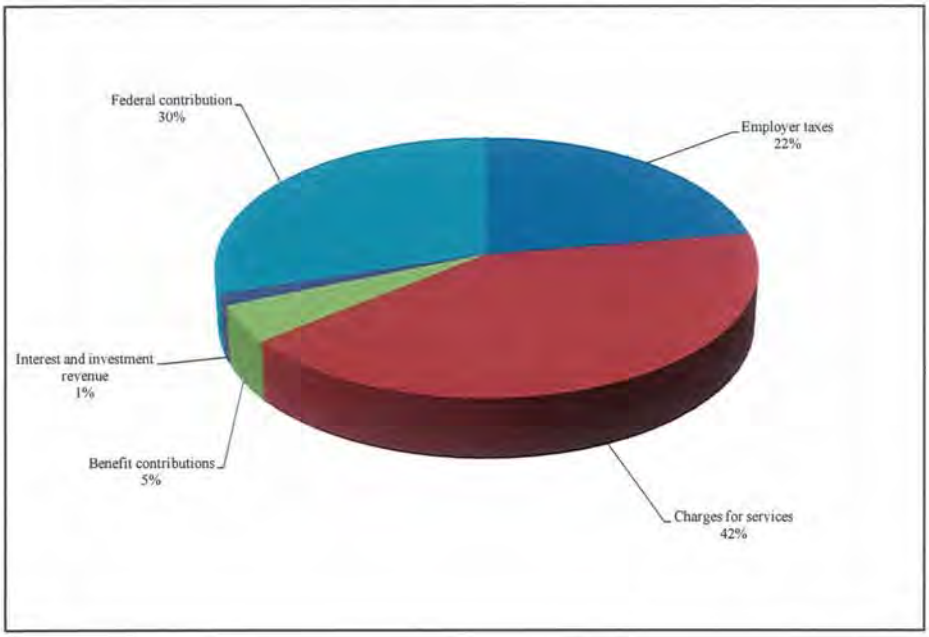


Chart MDA-4 – Revenues by Source – Business-type Activities



Fiduciary Funds

The *Trust and Agency Funds* are used to account for assets held by the District as trustee for individuals, private organizations, or other governments. The District is the *trustee* or *fiduciary* for its employees' pension plans and other postemployment benefits (OPEB). All fiduciary activities are reported in Exhibit 4-a, *Statement of Fiduciary Net Assets* and Exhibit 4-b, *Statement of Changes in Fiduciary Net Assets* on pages 53 and 54 respectively. Exhibits C-1, C-2, and C-3, presented on pages 152, 153, and 154 respectively, provide additional information. These activities are excluded from the District's governmental and business-type activities because these resources are restricted and are not available to support the District's operations. The changes in the net assets of the Pension Trust Funds and OPEB Trust Fund are presented in **Table MDA-7.**

Table MDA-7 - Variances in Net Assets of Pension and OPEB Trust Funds

Trust Fund	Fiscal Year 2012	Fiscal Year 2011	Dollar Variance	Percentage Variance
Police and Firefighters Pension	$ 3,681,854	$ 3,127,467	$ 554,387	17.7%
Teachers Pension	1,503,486	1,340,712	162,774	12.1%
Other Postemployment Benefits	693,344	511,486	181,858	35.6%
Total Net Assets	**$ 5,878,684**	**$ 4,979,665**	**$ 899,019**	18.1%

Net assets of the fiduciary funds increased due to increases in the value of equity investments.

Private-purpose trust funds are used to report any trust arrangement not reported in the pension or OPEB trust funds under which principal and income benefit specific individuals, private organizations, or other governments. The District's 529 College Savings Investment Plan, which is designed to help families save for the higher education expenses of designated beneficiaries, comprises the Private-Purpose Trust Fund.

Component Units

Component units are legally separate organizations for which the District is financially accountable. The District has five discretely presented component units: (1) Water and Sewer Authority; (2) Washington Convention and Sports Authority; (3) Not-For-Profit Hospital Corporation (d/b/a United Medical Center); (4) Housing Finance Agency; and (5) University of the District of Columbia. The District is financially accountable for these organizations because the Mayor, with the consent of the Council, appoints a voting majority of the governing bodies of these organizations. In addition, the District has an obligation to provide financial support to the Washington Convention and Sports Authority and the University of the District of Columbia.

Other component units have operations that are so intertwined with those of the primary government that they function, for all practical purposes, as an integral part of the primary government. These are reported as blended component units. A component unit should be blended when the primary government and the component unit share a common governing body or when the component unit either: (1) provides service entirely or almost entirely to the primary government; or (2) otherwise exclusively or almost exclusively benefits the primary government, although it does not provide services directly to it. The District has one blended component unit, the Tobacco Settlement Financing Corporation (Tobacco Corporation). The Tobacco Corporation is a blended component unit because it provides services exclusively to the District.

Each of the component units prepares its own independently audited financial statements, which are accompanied by their respective Management's Discussion and Analysis. Exhibits 5-a and 5-b on pages 55 and 56, respectively, present more detailed financial information on the District's component units.

Short-Term Debt

The District issues short-term debt primarily to finance seasonal cash flow needs. This need occurs due to time lags between the receipt of taxes, grants and other revenues, and the outflow of funds for governmental operations and required disbursements. The District issued $820,000 in Tax Revenue Anticipation Notes (TRANs) on October 26, 2011, at an interest rate of 2.00%. By law, the District must repay any short-term debt in its entirety by September 30 of the fiscal year in which the debt was incurred. Accordingly, the District repaid the TRANs on September 28, 2012.

Long-Term Debt

The District is empowered by law (Section 461 of the District of Columbia Home Rule Act, as amended) to issue general obligation bonds to refund indebtedness of the District and to provide for the payment of the cost of acquiring capital assets or undertaking the District's various capital projects. The District also issues income tax secured revenue bonds pursuant to the Bond Authorization Act of 2008 (D.C. Code §§ 47-340.26 to 47-340.36). The payment of principal and interest on these bonds comes solely from the associated trust estate and the available pledged tax revenues. The income tax secured revenue bonds are without recourse to the District, and are not a pledge of, and do not involve the full faith and credit or the taxing power of the District.

The District also issues, on a less frequent basis, other types of long term debt, including Tax Increment Financing (TIF) Bonds, Tobacco Bonds, Housing Production Trust Bonds, Qualified Zone Academy Bonds, and other revenue bonds.

At September 30, 2012, the District had $9,180,672 in long term debt outstanding, of which $7,661,141, or 84%, was in the form of bonds. Of the outstanding bonds, $2,295,225, or 30%, were general obligation bonds, and $3,799,645, or 49.6%, were income tax secured revenue bonds. **Table MDA-8** presents the District's outstanding bonds as of September 30, 2012.

Table MDA-8 – Outstanding Bonds at September 30, 2012 and 2011

Outstanding Bond Debt				
Type of Bonds	**2012**	**2011**	**Dollar Variance**	**Percentage Variance**
General Obligation Bonds	$ 2,295,225	$ 2,829,598	$ (534,373)	-18.9%
Income Tax Secured Revenue Bonds	3,799,645	3,029,100	770,545	25.4%
Other Bonds:				
Qualified Zone Academy Bonds	7,628	8,573	(945)	-11.0%
Tobacco Bonds	677,219	690,289	(13,070)	-1.9%
TIF Bonds	112,985	87,484	25,501	29.1%
Ballpark Bonds	507,935	512,850	(4,915)	-1.0%
GARVEE Revenue Bonds	78,775	82,610	(3,835)	4.6%
HPTF Bonds	82,805	84,335	(1,530)	-1.8%
AWC PILOT Revenue Bonds	84,085	90,660	(6,575)	-7.3%
NCRC Revenue Bonds	14,839	22,715	(7,876)	-34.7%
Total	**$ 7,661,141**	**$ 7,438,214**	**$ 222,927**	**3.0%**

The $770,545 increase in Income Tax Secured Revenue Bonds is due to the following bond issuances made in fiscal year 2012:

- Issued in November 2011, $241,735 in Income Tax Secured Revenue Refunding Bonds, Series 2011B-C-D-E Bonds, used to currently refund $63,335 of the outstanding principal amount of the Income Tax Secured Revenue Refunding Bonds, Series 2010C and $31,930 of the Income Tax Secured Revenue Refunding Bonds Series 2010E, advance refund to the earliest call date general obligation bonds, Series 2003A, Series 2003B and pay the costs of issuing and delivering the bonds.

- Issued in December 2011, $400,720 in Income Tax Secured Revenue Bonds, Series 2011F-G, used to pay and/or reimburse the District for the costs of capital projects and the costs of issuing and delivering the Series 20110F-G Bonds.

- Issued in May 2012, $258,110 in Income Tax Secured Revenue Refunding Bonds, Series 2012A, and $56,000 in Income Tax Secured Revenue Bonds, Series 2012B used to current or advance refund, as applicable, a portion of outstanding general obligation bonds, Series 2002C, Series 2004A, and Series 2005A; and pay the costs of issuing and delivering the Series 2011A Bonds.

The total debt per capita as of September 30, 2012, was $12,538 (not in thousands). This represents an increase of $59 (not in thousands), or 0.5%, over the prior year. This increase is due to the issuance of Income Tax Secured Revenue Bonds and a less than proportional increase in population between fiscal years 2011 and 2012. Exhibit S-3C, on page 184, presents ratios of total outstanding debt for the last ten fiscal years.

For more detailed information on the District's long-term debt activity, refer to Note 8, Long-Term Liabilities, found on pages 97 through 117.

Capital Assets

The General Capital Improvements Fund is used to account for the purchase or construction of capital assets financed by transfers, capital grants, and debt. Capital assets include, but are not limited to, land, buildings, police and fire equipment, office equipment, park facilities, roads, and bridges. In fiscal year 2012, total net capital assets (capital assets less depreciation) increased by $609,647, or 6.2%, over the prior year. Total overall capital assets has continued to increase because the District has been investing resources in the construction of new assets and the rehabilitation of existing infrastructure, such as roads, streets, and bridges.

At September 30, 2012, total net capital assets (capital assets less depreciation) were $10,425,439. Net capital assets of the governmental activities totaled $10,424,959 and the net capital assets of the business-type activities totaled $480. The governmental activities depreciation charges for fiscal year 2012 totaled $385,230 compared to the prior year's amount of $336,212. **Table MDA-9** presents more detailed information on the District's net capital assets.

Table MDA-9 – Net Capital Assets as of September 30, 2012

Asset Category	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 936,234	$ 919,558	$ -	$ -	$ 936,234	$ 919,558
Buildings	5,125,146	4,111,593	-	-	5,125,146	4,111,593
Infrastructure	2,731,450	2,465,943	-	-	2,731,450	2,465,943
Equipment	422,756	404,436	480	478	423,236	404,914
Construction in progress	1,209,373	1,913,782	-	-	1,209,373	1,913,782
Total net capital assets	**$ 10,424,959**	**$ 9,815,312**	**$ 480**	**$ 478**	**$ 10,425,439**	**$ 9,815,790**

Note: For more detailed information on the District's capital asset activity, refer to Note 5, Capital Assets, found on pages 91 through 95.

REPORTING THE DISTRICT'S BUDGET

Overview in Brief

D.C. Code § 47-392.01(c) (1) (A) requires the District to prepare a balanced budget each year. Consistent with D.C. Code §47-392.02, the Mayor is required to submit the budget to Council for review, approval, and submission to Congress. The District's budget is subject to revision and veto by Congress and the President of the United States. As the budget moves through the budgetary process, there may be changes in both amounts and purposes.

The Chief Financial Officer is responsible for forecasting revenue for the District government. Each February, the Chief Financial Officer issues the official revenue estimate that is used to develop the District's budget for the next fiscal year. This estimate is revised as the new fiscal year begins and is periodically reviewed and adjusted at regular intervals throughout the fiscal year to reflect current economic trends and outlook, new legislative mandates, and other similar factors. As the revenue estimates are revised, the District's expenditure budget is also revised to be consistent with the updated revenue estimates.

General Fund Budgetary Highlights

The General Fund is the chief budgetary operating fund of the primary government. **Table MDA-10** presents a Schedule of Budgetary Basis Revenues and Expenditures for the General Fund for the fiscal year ended September 30, 2012.

Table MDA-10 – Schedule of Budgetary Basis Revenues and Expenditures

	Original Budget	Revised Budget	Actual	Variance (Actual to Revised)
Revenues and Sources:				
Taxes	$ 5,527,777	$ 5,616,181	$ 5,841,851	$ 225,670
Licenses and permits	63,357	74,096	77,717	3,621
Fines and forfeits	138,236	154,396	181,603	27,207
Charges for services	47,987	61,029	73,795	12,766
Miscellaneous	154,757	126,240	122,997	(3,243)
Other sources	410,079	392,442	421,590	29,148
General obligation bonds	6,000	6,000	3,142	(2,858)
Fund Balance released from restrictions	43,744	69,730	5,769	(63,961)
Interfund transfer from lottery and games	68,500	63,257	66,404	3,147
Interfund transfer - others	5,833	37,073	25,403	(11,670)
Total revenues and other sources	6,466,270	6,600,444	6,820,271	219,827
Expenditures and Other Uses:				
Governmental direction and support	536,105	533,520	520,531	12,989
Economic development and regulation	260,864	262,732	235,349	27,383
Public safety and justice	973,834	958,085	948,965	9,120
Public education	1,557,725	1,591,221	1,567,336	23,885
Human support services	1,577,145	1,631,546	1,610,188	21,358
Public works	530,516	552,305	535,086	17,219
Repay bonds and interest	449,135	420,199	419,801	398
Other expenditures and uses	552,338	571,256	566,288	4,968
Total expenditures and other uses	6,437,662	6,520,864	6,403,544	117,320
Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budgetary Basis	$ 28,608	$ 79,580	$ 416,727	$ 337,147

Revenues and Other Sources

Actual General Fund revenues and other sources were $219,827 more than the revised budget. As presented in **Table MDA-10**, this variance was primarily due to significant increases in taxes and other sources which are discussed below.

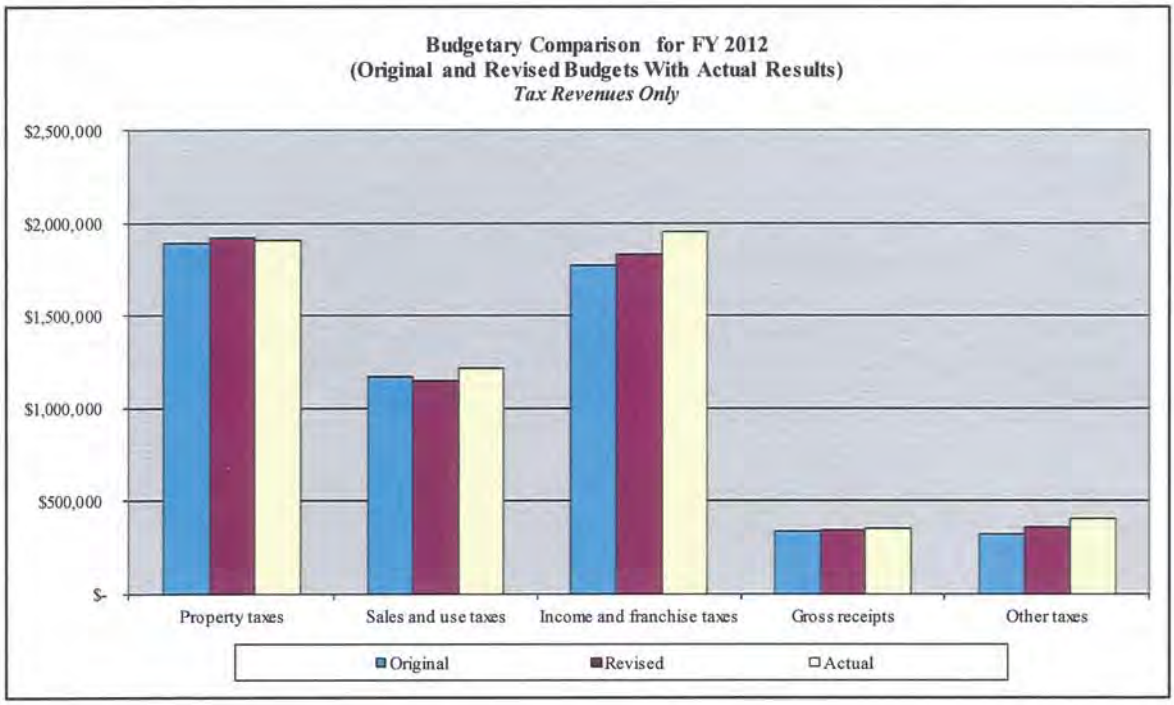
Taxes – Tax revenues in excess of the revised budget were primarily in the form of Income and Franchise Taxes. Individual income tax revenue exceeded the revised budget by $44,245 due to strong withholding collections in fiscal year 2012 and a stronger-than-expected recovery in the non-withholding portion of income tax. Corporate franchise taxes and unincorporated business franchise taxes exceeded the revised budget by $65,390 and $12,568, respectively in fiscal year 2012 due to a rebound in the equity markets and increased corporate profits.

Other Sources – Revenues generated through other public sources exceeded the revised budget by $29,148. This excess was due, for the most part, to: increases in various Department of Motor Vehicles fees (e.g., residential parking permits, duplicate registrations, fees for knowledge and road tests); tort liability subrogation which generated additional settlement amounts, and the Washington Convention and Sports Authority's payments for the rights to the Carnegie Library.

Fund Balance Released from Restrictions – Fund balance released from restrictions represents the portion of assets that were restricted for either a period of time or for a particular purpose for which the imposed conditions have

been met, allowing the assets to become available for use. In other words, this amount of fund balance was used to finance current year's operations. As presented in **Table MDA-10**, more than 80% of the General Fund's revenues are derived from taxes. **Chart MDA-5** graphically presents differences between the General Fund's original budget, final revised budget and actual revenues (by type of tax) for fiscal year 2012.

Chart MDA-5 – Budgetary Comparison – FY 2012 Tax Revenues

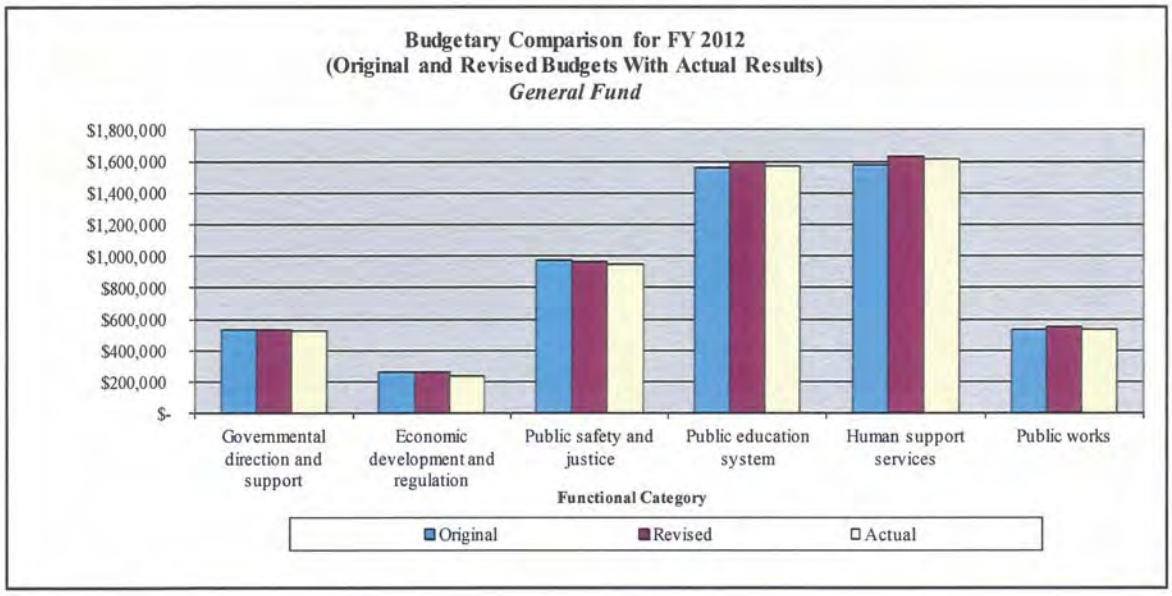


Expenditures and Other Uses

Actual General Fund expenditures and other uses were ($117,320) less than the revised budget. As presented in **Table MDA-10**, this variance was primarily due to underspending in the areas of Economic Development and Regulation, Public Education, and Human Support Services.

More than 60% of the General Fund's expenditures were in the areas of Human Support Services, Public Education, and Public Safety and Justice combined. **Chart MDA-6** graphically presents differences between the General Fund's original budget, revised budget, and actual expenditures (by functional category) for fiscal year 2012.

Chart MDA-6 – General Fund Expenditures (by Function)



For more detailed information, refer to the budgetary schedules for the General Fund, Exhibits A-4 to A-6 which are presented on pages 143 through 145.

SUBSEQUENT EVENTS

Short-Term Debt

On October 23, 2012, the District issued $675,000 in Tax Revenue Anticipation Notes (TRANs) as a means of financing, on a short-term basis, the District's general governmental expenses in anticipation of receiving or collecting revenues for fiscal year 2013. These fixed rate TRANs were issued at an interest rate of 2.00% and mature on September 30, 2013. By law, the District must repay any short-term debt in its entirety by September 30 of the fiscal year of issuance.

Income Tax Secured Revenue Bonds

On November 28, 2012, the District issued $750,765 in Income Tax Secured Revenue Bonds, Series 2012C, and $25,005 in Income Tax Secured Revenue Refunding Bonds, Series 2012D, together the Series 2012C-D Bonds. The proceeds of the Series 2012C Bonds were used to: (i) pay and/or reimburse the District for costs of capital projects and (ii) pay the costs and expenses of issuing and delivering the Series 2012C Bonds. The proceeds of the Series 2012D Bonds were used, along with other District funds, to: (i) currently refund the District's outstanding 4.00% PILOT Revenue Bond Anticipation Notes, Series 2010 and (ii) pay the costs and expenses of issuing and delivering the Series 2012D Bonds.

Federal Highway Grant Anticipation Revenue Bonds (GARVEE)

On October 10, 2012, the District issued $42,935 in Federal Highway Grant Anticipation Revenue Bonds, Series 2012. The Series 2012 Bonds were issued to: (i) provide funds to finance a portion of the costs of Phase II of the project to replace the twin 11th Street Bridges over the Anacostia River and to improve the interchanges at either end, including adding missing movements to and from the north onto the Anacostia Freeway, and (ii) pay certain costs of issuing the Series 2012 Bonds.

Deed Tax Revenue Bonds

On December 6, 2012, the District issued $$22,395 in Deed Tax Revenue Bonds, Series 2012A, and $17,190 in Deed Tax Revenue Bonds, Series 2012B (together the Series 2012 Bonds). The Series 2012 Bonds were issued to: (i) provide funds to assist in financing, refinancing, or reimbursing the costs of undertakings by the District to accomplish the purposes of the New Communities Initiative, including the New Communities Projects, (ii) fund a deposit to the Debt Service Reserve Fund; and (iii) pay certain costs of issuance associated with the Series 2012 Bonds.

These and other subsequent events are presented more fully in Note 16, found on pages 129 through 132.

CONTACTING THE DISTRICT'S OFFICE OF THE CHIEF FINANCIAL OFFICER

This CAFR is designed to provide the District's citizens, taxpayers, customers, vendors, investors, and creditors with a general overview of the District's finances and to demonstrate the effectiveness of the District's systems of accountability for the money it receives. If you have any questions regarding this report, suggestions for improvement, or need additional financial information, please contact the following:

The Office of the Chief Financial Officer
The John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 209
Washington, D.C. 20004
(202) 727-2476
www.cfo.dc.gov

BASIC FINANCIAL STATEMENTS

The basic financial statements include the *Government-Wide Financial Statements, Governmental Fund Financial Statements, Propietary Fund Financial Statements, Fiduciary Fund Financial Statements and the Component Unit Financial Statements*. These financial statements present different views of the District.

Following the basic financial statements are the *Notes to the Basic Financial Statements* which explain some of the information in the financial statements and provide more detail.

Exhibit 1-a

District of Columbia
Statement of Net Assets
September 30, 2012
(With Comparative Totals at September 30, 2011)
($000s)

	Primary Government				
	Governmental Activities	Business-Type Activities	Totals 2012	Totals 2011	Component Units
ASSETS					
Cash and cash equivalents (unrestricted)	$ 981,411	$ 8,007	$ 989,418	$ 697,859	$ 159,366
Investments (unrestricted)	-	-	-	-	196,572
Due from federal government	526,497	324	526,821	419,956	23,491
Taxes receivable, net	423,309	-	423,309	359,532	-
Accounts receivable, net	520,203	23,970	544,173	508,129	79,081
Other receivables	-	-	-	-	22,363
Due from primary government	-	-	-	-	22,827
Due from component units	34,282	-	34,282	54,455	-
Due from fiduciary funds	2,213	-	2,213	2,631	-
Internal balances	34,117	(34,117)	-	-	-
Inventories	23,079	-	23,079	14,698	8,194
Other current assets	1,745	5	1,750	5,803	25,507
Cash and cash equivalents (restricted)	812,691	309,802	1,122,493	1,370,935	288,052
Investments (restricted)	388,255	16,381	404,636	368,239	783,533
Other long term assets	297,643	-	297,643	261,842	696,749
Deferred outflow of resources	73,597	-	73,597	69,087	-
Deferred charges	147,675	-	147,675	171,017	-
Depreciable capital assets, net	8,279,352	480	8,279,832	6,982,450	3,650,931
Non-depreciable capital assets	2,145,607	-	2,145,607	2,833,340	886,776
Total assets	14,691,676	324,852	15,016,528	14,119,973	6,843,442
LIABILITIES					
Accounts payable	703,299	66,218	769,517	763,133	183,198
Compensation payable	181,634	815	182,449	176,115	32,209
Due to primary government	-	-	-	-	34,282
Due to component units	22,827	-	22,827	27,975	-
Due to fiduciary funds	35	-	35	3,052	-
Unearned revenues	659,034	99	659,133	612,406	59,232
Accrued liabilities	432,270	7,322	439,592	400,543	65,123
Accrued interest payable	116,638	-	116,638	112,842	-
Other current liabilities	10,030	-	10,030	7,637	165,854
Derivative instrument liabilities	73,048	-	73,048	68,754	-
Long-term liabilities:					
Due within one year	477,791	7,306	485,097	401,931	60,115
Due in more than one year	8,686,500	9,075	8,695,575	8,344,792	4,464,509
Total liabilities	11,363,106	90,835	11,453,941	10,919,180	5,064,522
NET ASSETS					
Invested in capital assets, net of related debt	2,872,272	480	2,872,752	2,535,016	1,414,925
Restricted for:					
Expendable					
Debt service	388,255	-	388,255	345,327	-
Benefit payments	-	229,930	229,930	226,229	-
Capital projects	-	-	-	4,970	-
Grants and special purposes	180,921	-	180,921	183,609	-
Budget reserves	29,874	-	29,874	35,430	-
Purpose restriction	99,072	-	99,072	37,310	-
Emergency reserves	339,103	-	339,103	338,583	-
Other	20,357	-	20,357	18,465	276,868
Nonexpendable	-	-	-	-	7,568
Unrestricted (deficit)	(601,284)	3,607	(597,677)	(524,146)	79,559
Total net assets	$ 3,328,570	$ 234,017	$ 3,562,587	$ 3,200,793	$ 1,778,920

The accompanying notes are an integral part of this statement.

Exhibit 1-b

District of Columbia
Statement of Activities
For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)
($000s)

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fees, Fines & Forfeits	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Totals 2012	Primary Government: Totals 2011	Component Units
Primary government:									
Governmental activities:									
Governmental direction and support	$ 987,978	$ 67,667	$ 40,697	$ 9,483	$ (870,131)		$ (870,131)	$ (717,264)	
Economic development and regulation	353,618	134,410	74,120	-	(145,088)		(145,088)	(147,868)	
Public safety and justice	1,490,423	131,648	516,158	-	(842,617)		(842,617)	(890,720)	
Public education system	2,113,955	429	375,082	-	(1,738,444)		(1,738,444)	(1,676,234)	
Human support services	3,925,613	11,289	2,154,127	8,845	(1,751,352)		(1,751,352)	(1,647,698)	
Public works	587,002	191,960	29,854	243,083	(122,105)		(122,105)	(55,254)	
Public transportation	221,339	-	-	-	(221,339)		(221,339)	(257,703)	
Interest on long-term debt	397,216	-	-	-	(397,216)		(397,216)	(356,164)	
Total governmental activities	10,077,144	537,403	3,190,038	261,411	(6,088,292)		(6,088,292)	(5,748,905)	
Business-type activities:									
Lottery and games	183,185	249,675	-	-		$ 66,490	66,490	62,223	
Unemployment compensation	344,913	-	27,945	-		(316,968)	(316,968)	(374,449)	
Total business-type activities	528,098	249,675	27,945			(250,478)	(250,478)	(312,226)	
Total primary government	$ 10,605,242	$ 787,078	$ 3,217,983	$ 261,411	(6,088,292)	(250,478)	(6,338,770)	(6,061,131)	
Component units:									
Water and sewer authority	$ 414,932	$ 424,489	$ -	$ 58,957					$ 68,514
Convention center	145,070	22,555	-	-					(122,515)
United Medical Center	107,600	93,738	-	-					(13,862)
Housing finance	58,203	6,813	-	-					(51,390)
University	147,034	27,981	26,061	26,036					(66,956)
Total component units	$ 872,839	$ 575,576	$ 26,061	$ 84,993					(186,209)
	General revenues:								
	Taxes:								
	Property taxes				1,945,071	-	1,945,071	1,803,691	-
	Sales and use taxes				1,218,576	-	1,218,576	1,121,257	-
	Income and franchise taxes				1,956,590	-	1,956,590	1,656,283	-
	Gross receipts taxes				319,036	-	319,036	279,002	-
	Other taxes				404,066	133,618	537,684	532,074	-
	Investment earnings				21,944	8,517	30,461	17,886	54,762
	Miscellaneous				514,590	178,556	693,146	789,755	46,283
	Subsidy from primary government				-	-	-	-	182,088
	Transfer in (out)				66,404	(66,404)	-	-	-
	Total general revenues and transfers				6,446,277	254,287	6,700,564	6,199,948	283,133
	Change in net assets				357,985	3,809	361,794	138,817	96,924
	Net assets at October 1				2,970,585	230,208	3,200,793	3,061,976	1,681,996
	Net assets at September 30				$ 3,328,570	$ 234,017	$ 3,562,587	$ 3,200,793	$ 1,778,920

The accompanying notes are an integral part of this statement.

Exhibit 2-a

District of Columbia
Balance Sheet
Governmental Funds
September 30, 2012
(With Comparative Totals at September 30, 2011)
($000s)

	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds 2012	Total Governmental Funds 2011
ASSETS							
Cash and cash equivalents (unrestricted)	$ 981,411	$ -	$ -	$ -	$ -	$ 981,411	$ 687,877
Due from federal government	24	457,905	-	68,568	-	526,497	416,097
Taxes receivable, net	419,683	-	-	-	3,626	423,309	359,532
Accounts receivable, net	194,599	294,304	-	3,098	28,202	520,203	485,673
Due from component units	33,616	-	-	-	666	34,282	54,456
Due from other funds	187,901	33,626	6,870	-	10,277	238,674	257,659
Inventories	12,195	10,884	-	-	-	23,079	14,698
Other current assets	1,029	716	-	-	-	1,745	5,794
Cash and cash equivalents (restricted)	339,103	79,497	67,509	51,269	275,313	812,691	1,057,745
Investments (restricted)	388,255	-	-	-	-	388,255	345,327
Other long term assets	13,646	20,063	263,634	-	-	297,343	261,842
Total assets	2,571,462	896,995	338,013	122,935	318,084	4,247,489	3,946,700
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	390,221	119,117	-	183,994	9,967	703,299	686,904
Compensation payable	152,684	26,268	-	2,539	143	181,634	175,275
Due to other funds	17,011	128,607	-	40,983	15,777	202,378	224,981
Due to component units	13,288	634	-	3,905	5,000	22,827	27,976
Deferred revenue	210,786	280,385	263,634	7,783	569	763,157	706,140
Accrued liabilities	270,922	161,062	-	-	286	432,270	391,153
Other current liabilities	10,029	1	-	-	-	10,030	7,637
Total liabilities	1,064,941	716,074	263,634	239,204	31,742	2,315,595	2,220,066
Fund balances:							
Nonspendable	20,357	-	-	-	-	20,357	18,465
Restricted	856,277	180,921	74,379	-	286,342	1,397,919	1,378,390
Committed	595,008	-	-	-	-	595,008	256,287
Assigned	34,879	-	-	-	-	34,879	73,492
Unassigned	-	-	-	(116,269)	-	(116,269)	-
Total fund balances	1,506,521	180,921	74,379	(116,269)	286,342	1,931,894	1,726,634
Total liabilities and fund balances	$ 2,571,462	$ 896,995	$ 338,013	$ 122,935	$ 318,084		$ 3,946,700

Amounts reported for governmental activities in the statement of net assets (Exhibit 1a) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,424,959
Certain long term assets are not available to pay current period expenditures and are therefore not recognized as revenues in the funds.		89,833
Loan receivable from sale of capital assets		300
Adjustment for lease agreement - nursing home		14,290
Net of deferred outflow resources and derivative instrument liabilities		549
Adjustment for deferred charges		147,675
Certain liabilities (such as bonds payable and accrued expenses) are not due and payable in the current period:		
General obligation bonds	2,295,225	
Income tax revenue bonds	3,799,645	
Tobacco settlement bonds	677,219	
TIF bonds	112,985	
Ballpark bonds	507,935	
QZAB	7,628	
Accrued interest payable	116,638	
Capital leases	18,972	
Other long-term liabilities	1,744,683	
		(9,280,930)
Net assets of governmental activities		$ 3,328,570

The accompanying notes are an integral part of this statement.

Exhibit 2-b

District of Columbia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)
($000s)

	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds 2012	Total Governmental Funds 2011
REVENUES							
Taxes:							
Property taxes	$ 1,902,541	$ -	$ -	$ -	$ 32,245	$ 1,934,786	$ 1,800,745
Sales and use taxes	1,183,735	-	-	-	34,841	1,218,576	1,121,257
Income and franchise taxes	1,956,590	-	-	-	-	1,956,590	1,656,283
Gross receipts taxes	276,398	-	-	-	42,638	319,036	279,002
Other taxes	366,904	-	37,162	-	-	404,066	403,199
Fines and forfeitures	185,771	-	-	-	-	185,771	129,448
Licenses and permits	99,300	-	-	-	-	99,300	102,769
Charges for services	246,421	5,911	-	-	-	252,332	257,884
Investment earnings	10,165	636	-	8,535	2,392	21,728	5,789
Miscellaneous	356,643	44,674	7,979	47,634	57,764	514,694	549,006
Federal contributions	-	554,979	-	-	-	554,979	617,845
Operating grants	-	2,635,059	-	261,411	-	2,896,470	2,898,866
Total revenues	6,584,468	3,241,259	45,141	317,580	169,880	10,358,328	9,822,093
EXPENDITURES							
Current:							
Governmental direction and support	694,011	35,565	-	-	57,755	787,331	698,117
Economic development and regulation	194,458	77,760	46,048	-	-	318,266	351,814
Public safety and justice	954,077	515,650	-	-	-	1,469,727	1,517,640
Public education system	1,571,264	409,120	-	-	-	1,980,384	1,943,438
Human support service	1,727,072	2,153,971	-	-	-	3,881,043	3,823,317
Public works	311,968	30,247	-	-	-	342,215	265,750
Public transportation	221,339	-	-	-	-	221,339	257,703
Debt service:							
Principal	177,175	-	-	-	40,470	217,645	211,696
Interest	287,819	20,157	-	-	67,485	375,461	333,872
Fiscal charges	14,349	-	-	-	1,098	15,447	14,296
Capital outlay	-	-	-	1,114,114	38,829	1,152,943	1,189,356
Total expenditures	6,153,532	3,242,470	46,048	1,114,114	205,637	10,761,801	10,606,999
Excess (deficiency) of revenues over (under) expenditures	430,936	(1,211)	(907)	(796,534)	(35,757)	(403,473)	(784,906)
OTHER FINANCING SOURCES (USES)							
Debt issuance	2,737	-	-	397,983	38,650	439,370	745,025
Refunding debt issuance	555,845	-	-	-	52,365	608,210	63,860
Premium on sale of bonds	66,836	-	-	52,166	5,677	124,679	24,711
Payment to refunded bond escrow agent	(622,363)	-	-	-	(57,480)	(679,843)	(63,335)
Equipment financing program	-	-	-	49,463	-	49,463	45,801
Transfers in	92,391	-	1,850	185,555	73,291	353,087	302,059
Transfers out	(124,755)	(1,478)	-	(10,322)	(150,128)	(286,683)	(230,748)
Sale of capital assets	-	-	-	450	-	450	-
Total other financing sources (uses)	(29,309)	(1,478)	1,850	675,295	(37,625)	608,733	887,373
Net change in fund balances	401,627	(2,689)	943	(121,239)	(73,382)	205,260	102,467
Fund balances at October 1,	1,104,894	183,610	73,436	4,970	359,724	1,726,634	1,624,167
Fund balances at September 30	$ 1,506,521	$ 180,921	$ 74,379	$ (116,269)	$ 286,342	$ 1,931,894	$ 1,726,634

The accompanying notes are an integral part of this statement.

Exhibit 2-c

District of Columbia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012
($000s)

Net change in fund balances - total governmental funds	$ 205,260
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays that are capitalized exceeded depreciation expense in the current period.	609,648
Deferred property tax revenues which were earned but whose current financial resources are not available for the purpose of recognition in the governmental funds were recognized in the government-wide financial statements.	10,285
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which bond proceeds exceeded repayments.	(406,731)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount that other long term liabilities increased in the current period.	(60,889)
Capital assets leased to nursing home	(104)
Loan receivable from sale of capital assets	300
Investment income from investment derivative instrument	216
Change in net assets of governmental activities	$ 357,985

The accompanying notes are an integral part of this statement.

Exhibit 2-d

District of Columbia
Budgetary Comparison Statement
For the Year Ended September 30, 2012
($000s)

	General Fund				Federal and Private Resources				Totals			
	Budget			Variance Positive	Budget			Variance Positive	Budget			Variance Positive
	Original	Revised	Actual	(Negative)	Original	Revised	Actual	(Negative)	Original	Revised	Actual	(Negative)
Revenues and Sources:												
Taxes:												
Property taxes	$ 1,889,758	$ 1,924,048	$ 1,910,254	$ (13,794)	$ -	$ -	$ -	$ -	$ 1,889,758	$ 1,924,048	$ 1,910,254	$ (13,794)
Sales and use taxes	1,194,925	1,150,527	1,218,577	68,050	-	-	-	-	1,194,925	1,150,527	1,218,577	68,050
Income and franchise taxes	1,774,080	1,834,387	1,956,590	122,203	-	-	-	-	1,774,080	1,834,387	1,956,590	122,203
Other taxes	669,014	707,219	756,430	49,211	-	-	-	-	669,014	707,219	756,430	49,211
Total taxes	5,527,777	5,616,181	5,841,851	225,670	-	-	-	-	5,527,777	5,616,181	5,841,851	225,670
Licenses and permits	63,357	74,096	77,717	3,621	-	-	-	-	63,357	74,096	77,717	3,621
Fines and forfeits	138,236	154,396	181,603	27,207	-	-	-	-	138,236	154,396	181,603	27,207
Charges for services	47,987	61,029	73,795	12,766	-	-	-	-	47,987	61,029	73,795	12,766
Miscellaneous	154,757	126,240	122,997	(3,243)	-	-	-	-	154,757	126,240	122,997	(3,243)
Other sources	410,079	392,442	421,590	29,148	-	-	-	-	410,079	392,442	421,590	29,148
General obligation bonds	6,000	6,000	3,142	(2,858)	-	-	-	-	6,000	6,000	3,142	(2,858)
Federal contributions	-	-	-	-	92,575	112,989	72,579	(40,410)	92,575	112,989	72,579	(40,410)
Operating grant	-	-	-	-	2,501,972	2,476,622	2,443,127	(33,495)	2,501,972	2,476,622	2,443,127	(33,495)
Fund balance released from restrictions	43,744	69,730	5,769	(63,961)	-	25,306	25,306	-	43,744	95,036	31,075	(63,961)
Interfund transfer-from lottery and games	68,500	63,257	66,404	3,147	-	-	-	-	68,500	63,257	66,404	3,147
Interfund transfer-others	5,833	37,073	25,403	(11,670)	-	-	-	-	5,833	37,073	25,403	(11,670)
Total revenues and other sources	6,466,270	6,600,444	6,820,271	219,827	2,594,547	2,614,917	2,541,012	(73,905)	9,060,817	9,215,361	9,361,283	145,922
Expenditures and Other Uses:												
Governmental direction and support	536,105	533,520	520,531	12,989	29,798	32,241	27,090	5,151	565,903	565,761	547,621	18,140
Economic development and regulation	260,864	262,732	235,349	27,383	139,131	84,346	78,547	5,799	399,995	347,078	313,896	33,182
Public safety and justice	973,834	958,085	948,965	9,120	160,072	142,115	134,553	7,562	1,133,906	1,100,200	1,083,518	16,682
Public education system	1,557,725	1,453,478	1,429,593	23,885	303,859	338,747	311,779	26,968	1,861,584	1,792,225	1,741,372	50,853
Public education AY13 expenditure	-	137,743	137,743	-	-	-	-	-	-	137,743	137,743	-
Human support services	1,577,145	1,631,546	1,610,188	21,358	1,908,352	1,952,651	1,917,856	34,795	3,485,497	3,584,197	3,528,044	56,153
Public works	530,516	552,305	535,086	17,219	38,435	33,468	30,247	3,221	568,951	585,773	565,333	20,440
Wilson building	3,968	3,968	3,458	510	-	-	-	-	3,968	3,968	3,458	510
Repay bonds and interest	442,444	414,625	414,227	398	-	20,277	20,157	120	442,444	434,902	434,384	518
Repay revenue bonds and interest	6,691	5,574	5,574	-	-	-	-	-	6,691	5,574	5,574	-
Bond fiscal charge	6,000	6,000	4,348	1,652	-	-	-	-	6,000	6,000	4,348	1,652
Interest on short term borrowing	4,500	2,572	2,572	-	-	-	-	-	4,500	2,572	2,572	-
Certificates of participation	32,534	32,278	32,233	45	-	-	-	-	32,534	32,278	32,233	45
Settlements and judgments fund	21,477	24,337	24,337	-	-	-	-	-	21,477	24,337	24,337	-
Baseball tax transfer	45,545	55,231	55,231	-	-	-	-	-	45,545	55,231	55,231	-
Convention center transfer	100,718	101,093	101,093	-	-	-	-	-	100,718	101,093	101,093	-
Highway trust transfer	37,294	39,674	39,432	242	-	-	-	-	37,294	39,674	39,432	242
TIF and pilot transfer	65,466	54,494	54,494	-	-	-	-	-	65,466	54,494	54,494	-
Emergency planning and security costs	-	-	-	-	14,900	11,072	9,609	1,463	14,900	11,072	9,609	1,463
Equipment lease operating	53,617	49,804	49,791	13	-	-	-	-	53,617	49,804	49,791	13
Emergency and contingency reserve	3,000	-	-	-	-	-	-	-	3,000	-	-	-
Pay-go capital	37,448	80,878	80,878	-	-	-	-	-	37,448	80,878	80,878	-
Schools modernization fund	8,621	8,621	8,621	-	-	-	-	-	8,621	8,621	8,621	-
District retiree health contribution	109,800	109,800	109,800	-	-	-	-	-	109,800	109,800	109,800	-
Non-departmental agency	22,350	2,506	-	2,506	-	-	-	-	22,350	2,506	-	2,506
Total expenditures and other uses	6,437,662	6,520,864	6,403,544	117,320	2,594,547	2,614,917	2,529,838	85,079	9,032,209	9,135,781	8,933,382	202,399
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES – BUDGETARY BASIS	**$ 28,608**	**$ 79,580**	**$ 416,727**	**$ 337,147**	**$ -**	**$ -**	**$ 11,174**	**$ 11,174**	**$ 28,608**	**$ 79,580**	**$ 427,901**	**$ 348,321**

The accompanying notes are an integral part of this statement.

Exhibit 3-a

District of Columbia

Statement of Net Assets
Proprietary Funds
September 30, 2012
(With Comparative Totals at September 30, 2011)
($000s)

	Lottery and Games	Unemployment Compensation	Totals 2012	Totals 2011
ASSETS				
Current assets:				
Cash and cash equivalents (unrestricted)	$ 8,007	$ -	$ 8,007	$ 9,982
Due from federal government	-	324	324	3,859
Accounts receivable, net	6,282	17,688	23,970	22,456
Due from other funds	-	-	-	3,177
Other current assets	5	-	5	10
Cash and cash equivalents (restricted)	-	309,802	309,802	313,190
Total current assets	14,294	327,814	342,108	352,674
Noncurrent assets:				
Investments (restricted)	16,381	-	16,381	22,912
Capital assets, net	480	-	480	478
Total noncurrent assets	16,861	-	16,861	23,390
Total assets	31,155	327,814	358,969	376,064
LIABILITIES				
Current liabilities				
Accounts payable	2,451	63,767	66,218	76,229
Accrued compensated absences	815	-	815	840
Due to other funds	-	34,117	34,117	36,277
Deferred revenue	99	-	99	208
Accrued liabilities	7,322	-	7,322	9,390
Long term liabilities due within one year	7,306	-	7,306	6,878
Total current liabilities	17,993	97,884	115,877	129,822
Noncurrent liabilities				
Long term liabilities due in more than one year	9,075	-	9,075	16,034
Total noncurrent liabilities	9,075	-	9,075	16,034
Total liabilities	27,068	97,884	124,952	145,856
NET ASSETS				
Invested in capital assets	480	-	480	478
Restricted - expendable	-	229,930	229,930	226,229
Unrestricted	3,607	-	3,607	3,501
Total net assets	$ 4,087	$ 229,930	$ 234,017	$ 230,208

The accompanying notes are an integral part of this statement.

Exhibit 3-b

District of Columbia

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)
($000s)

	Lottery and Games	Unemployment Compensation	Totals 2012	Totals 2011
Operating revenues:				
Employer taxes	$ -	$ 133,618	$ 133,618	$ 128,875
Charges for services	249,675	-	249,675	235,884
Benefit contributions	-	27,945	27,945	34,968
Miscellaneous	-	289	289	11
Total operating revenues	249,675	161,852	411,527	399,738
Operating expenses:				
Benefits	-	344,913	344,913	408,997
Prizes, agents commission & advertising	159,460	-	159,460	146,313
Personnel services	11,765	-	11,765	12,221
Contractual services	11,764	-	11,764	14,088
Depreciation	196	-	196	169
Miscellaneous	-	-	-	1,290
Total operating expenses	183,185	344,913	528,098	583,078
Operating income (loss)	66,490	(183,061)	(116,571)	(183,340)
Nonoperating revenues:				
Interest and investment revenue	22	8,495	8,517	11,764
Federal contribution	-	178,267	178,267	226,344
Total nonoperating revenues	22	186,762	186,784	238,108
Income before transfers	66,512	3,701	70,213	54,768
Transfer out	(66,404)	-	(66,404)	(71,311)
Change in net assets	108	3,701	3,809	(16,543)
Total net assets at October 1	3,979	226,229	230,208	246,751
Total net assets at September 30	$ 4,087	$ 229,930	$ 234,017	$ 230,208

The accompanying notes are an integral part of this statement.

Exhibit 3-c

District of Columbia
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)
($000s)

	Lottery and Games	Unemployment Compensation	Totals 2012	Totals 2011
Cash Flows from Operating activities:				
Cash receipts from customers/employers	$ 248,684	$ 161,062	$ 409,746	$ 399,431
Other cash receipts	43	-	43	303
Cash payments to vendors	(21,406)	-	(21,406)	(23,193)
Cash payments to employees/claimants	(7,047)	(355,497)	(362,544)	(420,412)
Other cash payments, including prizes	(155,669)	-	(155,669)	(142,149)
Net cash provided by (used in) operating activities	64,605	(194,435)	(129,830)	(186,020)
Cash Flows from Noncapital financing activities:				
Intergovernmental grants	-	182,552	182,552	226,344
Interfund transfers out	(66,404)	-	(66,404)	(65,212)
Net cash provided by (used in) noncapital financing activities	(66,404)	182,552	116,148	161,132
Cash Flows from Capital and related financing activities:				
Disposal (acquisition) of capital assets	(198)	-	(198)	(449)
Net cash provided by (used in) capital and related financing activities	(198)	-	(198)	(449)
Cash Flows from Investing activities:				
Receipts of interest and dividends	22	8,495	8,517	11,764
Net cash provided by investing activities	22	8,495	8,517	11,764
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,975)	(3,388)	(5,363)	(13,573)
Cash and cash equivalents at October 1	9,982	313,190	323,172	336,745
Cash and cash equivalents at September 30	$ 8,007	$ 309,802	$ 317,809	$ 323,172
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 66,490	$ (183,061)	$ (116,571)	$ (183,340)
Depreciation	196	-	196	169
Decrease (increase) in assets:				
Accounts receivable	(840)	(674)	(1,514)	2,790
Allowance for uncollectible	-	-	-	507
Deposits	-	-	-	(3)
Other current assets	5	173	178	79
Increase (decrease) in liabilities:				
Accounts payable	956	(10,873)	(9,917)	(6,381)
Accrued liabilities	(1,952)	-	(1,952)	266
Deferred revenue	(109)	-	(109)	56
Other current liabilities	(141)	-	(141)	(163)
Net cash provided by (used in) operating activities:	$ 64,605	$ (194,435)	$ (129,830)	$ (186,020)

The accompanying notes are an integral part of this statement.

Exhibit 4-a

District of Columbia
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2012
($000s)

	Pension/OPEB Trust Funds	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents - restricted	$ 203,819	$ -	$ 53,639
Investments - restricted:			
Equities	3,396,740	149,326	-
Fixed income securities	1,399,703	74,261	-
Real estate	253,621	-	-
Private equity	682,583	-	-
Collateral for securities lending transactions	96,652	-	-
Accounts receivable	-	305	-
Accounts receivable - foreign exchanges	42,010	-	-
Due from federal government	1,606	-	-
Benefit contribution receivables	3,332	-	-
Due from other funds	-	-	35
Other receivables	-	-	9,005
Other current assets	149,659	-	-
Capital assets	3	-	-
Total assets	6,229,728	223,892	$ 62,679
LIABILITIES			
Accounts payable	11,507	327	$ 878
Accounts payable - foreign currency purchased	42,010	-	-
Securities lending collateral	97,797	-	-
Due to component units	-	-	340
Due to other funds	2,054	-	160
Other current liabilities	197,676	-	61,301
Total liabilities	351,044	327	$ 62,679
NET ASSETS			
Held in trust for pension and OPEB benefits and other purposes	$ 5,878,684	$ 223,565	

The accompanying notes are an integral part of this statement.

Exhibit 4-b

District of Columbia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2012
($000s)

	Pension/OPEB Trust Funds	Private Purpose Trust Fund
ADDITIONS		
Contributions:		
Employer	$ 226,500	$ -
Plan members	59,318	43,614
Total contributions	285,818	43,614
Investment earnings:		
From investment activities		
Net increase in fair value of investments	646,729	31,240
Other revenue	2,256	-
Interest and dividends	83,001	3,452
Total investment gain	731,986	34,692
Less - investment expenses	(12,451)	(1,884)
Net gain from investing activities	719,535	32,808
From securities lending activities		
Securities lending income	2,128	-
Less: securities lending expenses	(570)	-
Net income from securities lending activities	1,558	-
Net investment gain	721,093	32,808
Total additions	1,006,911	76,422
DEDUCTIONS		
Benefits	98,061	-
Administrative expenses	9,831	557
Distributions to participants	-	19,541
Total deductions	107,892	20,098
Change in net assets	899,019	56,324
Net assets at October 1	4,979,665	167,241
Net assets at September 30	$ 5,878,684	$ 223,565

The accompanying notes are an integral part of this statement.

Exhibit 5-a

District of Columbia
Discretely Presented Component Units
Combining Statement of Net Assets
September 30, 2012
(With Comparative Totals at September 30, 2011)
($000s)

	Water and Sewer Authority	Washington Convention and Sports Authority	Not-for-Profit Hospital Corporation	Housing Finance Agency	University	Totals 2012	Totals 2011 as restated
ASSETS							
Current Assets:							
Cash and cash equivalents (unrestricted)	$ 94,472	$ 10,455	$ 1,635	$ 24,317	$ 28,487	$ 159,366	$ 166,083
Investments (unrestricted)	100,489	59,056	-	6,043	30,984	196,572	149,530
Receivables, net:							
Accounts	58,208	2,533	13,425	-	4,915	79,081	75,159
Other	-	-	-	16,890	5,473	22,363	31,892
Due from federal government	23,491	-	-	-	-	23,491	20,505
Due from primary government	3,155	12,611	-	-	7,061	22,827	27,975
Inventories	6,674	-	1,520	-	-	8,194	8,572
Other current assets	519	678	716	23,321	273	25,507	37,268
Restricted cash	175,567	2,287	1,704	107,486	1,008	288,052	267,930
Restricted investments	203,940	327,045	-	245,306	7,242	783,533	828,094
Total current assets	666,515	414,665	19,000	423,363	85,443	1,608,986	1,613,008
Noncurrent Assets:							
Loans receivable	-	-	-	651,874	846	652,720	549,203
Other	32,042	9,743	606	964	674	44,029	36,982
Total long term assets	32,042	9,743	606	652,838	1,520	696,749	586,185
Capital assets, net							
Property and equipment	2,910,813	591,954	49,085	2,064	97,015	3,650,931	3,553,339
Non-depreciable capital assets	807,430	46,998	8,100	573	23,675	886,776	560,007
Total assets	**4,416,800**	**1,063,360**	**76,791**	**1,078,838**	**207,653**	**6,843,442**	**6,312,539**
LIABILITIES							
Current Liabilities:							
Payables:							
Accounts	151,020	8,413	9,488	2,610	11,667	183,198	162,072
Compensation	18,302	588	5,668	236	7,415	32,209	26,737
Due to primary government	1,664	5,666	-	-	26,952	34,282	54,455
Accrued liabilities	43,841	17,376	-	-	3,906	65,123	61,341
Deferred revenue	42,875	3,202	-	1,373	11,782	59,232	45,836
Current maturities	19,692	13,865	682	25,876	-	60,115	72,445
Other current liabilities	41,200	9,317	1,010	107,884	6,443	165,854	142,106
Total current liabilities	318,594	58,427	16,848	137,979	68,165	600,013	564,992
Noncurrent Liabilities:							
Long term debt:							
Bonds payable	1,813,967	645,299	-	846,460	-	3,305,726	3,056,485
Other long-term liabilities	27,093	21,213	8,253	576	-	57,135	44,720
Refundable advances	-	982	-	-	1,262	2,244	2,245
Deferred revenue	1,099,404	-	-	-	-	1,099,404	962,101
Total long term liabilities	2,940,464	667,494	8,253	847,036	1,262	4,464,509	4,065,551
Total Liabilities	**3,259,058**	**725,921**	**25,101**	**985,015**	**69,427**	**5,064,522**	**4,630,543**
NET ASSETS							
Invested in capital assets, net of related debt	1,035,584	200,710	56,229	1,712	120,690	1,414,925	1,319,273
Restricted - expendable	63,597	160,454	-	51,112	1,705	276,868	265,574
Restricted - nonexpendable	-	-	-	-	7,568	7,568	7,242
Unrestricted	58,561	(23,725)	(4,539)	40,999	8,263	79,559	89,907
Total Net Assets	**$ 1,157,742**	**$ 337,439**	**$ 51,690**	**$ 93,823**	**$ 138,226**	**$ 1,778,920**	**$ 1,681,996**

The accompanying notes are an integral part of this statement.

Exhibit 5-b

District of Columbia
Discretely Presented Component Units
Combining Statement of Activities
For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)
($000s)

	Water and Sewer Authority	Washington Convention and Sports Authority	Not-for-Profit Hospital Corporation	Housing Finance Agency	University	Totals 2012	Totals 2011
Expenses	$ 414,932	$ 145,070	$ 107,600	$ 58,203	$ 147,034	$ 872,839	$ 870,606
Program Revenues:							
Charges for services, fees, fines & forfeits	424,489	22,555	93,738	6,813	27,981	575,576	558,964
Operating grants and contributions	-	-	-	-	26,061	26,061	27,398
Capital grants and contributions	58,957	-	-	-	26,036	84,993	61,867
Net (Expense) Revenue	68,514	(122,515)	(13,862)	(51,390)	(66,956)	(186,209)	(222,377)
General Revenues:							
Investment earnings	933	2,005	(295)	46,732	5,387	54,762	54,324
Miscellaneous	16,077	4,284	135	11,386	14,401	46,283	64,177
Subsidy from primary government	-	101,026	13,700	-	67,362	182,088	164,417
Total general revenues	17,010	107,315	13,540	58,118	87,150	283,133	282,918
Change in net assets	85,524	(15,200)	(322)	6,728	20,194	96,924	60,541
Net assets at October 1 (as restated)	1,072,218	352,639	52,012	87,095	118,032	1,681,996	1,621,455
Net assets at September 30	$ 1,157,742	$ 337,439	$ 51,690	$ 93,823	$ 138,226	$ 1,778,920	$ 1,681,996

The accompanying notes are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2012

(Dollar amounts expressed in thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BACKGROUND AND HISTORY OF THE GOVERNMENTAL UNIT

General Operations

The District of Columbia (the District) was created on March 30, 1791, from territory ceded by Maryland and Virginia. Article 1, section 8, clause 17 of the United States Constitution empowered Congress to establish the seat of government for the United States. Pursuant to the cited Constitutional provisions, the District was established as the nation's capital on December 1, 1800.

On January 2, 1975, Congress granted the District a Home Rule charter, which became effective through the enactment of the District of Columbia Self-Government and Governmental Reorganization Act, Public Law 93-198. Pursuant to its charter, the District is a municipal corporation, which operates under an elected Mayor-Council form of government. Accordingly, an Act of the Council, other than a Budget Request Act, becomes law unless Congress and the President of the United States disapprove it after it has been adopted. Citizens residing in the District have the right to vote for the President and Vice-President of the United States but not for members of Congress. The District does, however, have an elected non-voting Delegate to the United States House of Representatives.

Due to its unique organizational structure (*i.e.,* not part of a state government), the District provides a broad range of services to its residents, including those normally provided by a state. These services include: public safety and protection, fire and emergency medical services, human support and welfare services, public education, and many others.

B. FINANCIAL REPORTING ENTITY

A financial reporting entity consists of a primary government and its component units. The primary government is the District of Columbia, including all of the agencies that make up its legal entity. The criteria used to determine whether organizations are to be included as component units within the District's reporting entity are as follows:

- The District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial burden on, or provide financial benefit to the District.
- The organization is fiscally dependent on the District.
- It would be misleading to exclude the organization from the District's financial statements.

Based on the application of the aforementioned criteria, the District's financial statements include five discretely presented component units: Water and Sewer Authority, Washington Convention and Sports Authority, Not-for-Profit Hospital Corporation (d/b/a United Medical Center), Housing Finance Agency, and the University of the District of Columbia.

The Not-for-Profit Hospital Corporation, a legally separate entity, is a discretely presented component unit because the Mayor and Council appoint a voting majority of its governing board and the District must approve its annual operating budgets.

The Mayor, with the consent of the Council, also appoints the governing bodies of the Water and Sewer Authority, Washington Convention and Sports Authority, Housing Finance Agency, and the University of the District of Columbia. In addition, the District has an obligation to provide financial support to the Housing Finance Agency, the Washington Convention and Sports Authority, and the University of the District of Columbia, and must approve certain transactions of, and certain tax revenues dedicated to the Washington Convention and Sports Authority. The Water and Sewer Authority is responsible for the payment of certain District long-term debt, issued before that Authority's creation, to finance capital improvements. For that reason, and because the Water and Sewer Authority is an independent authority established under

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

its enabling legislation, this entity is included as a component unit of the District of Columbia.

The financial data for these organizations is presented in a separate column in the government-wide financial statements to emphasize that these entities are legally separate from the District.

Information regarding the financial statements of each discretely presented component unit may be obtained from the following locations:

D.C. Water and Sewer Authority
General Manager
5000 Overlook Avenue, S.W.
Washington, D.C. 20032

Washington Convention and Sports Authority
General Manager
801 Mount Vernon Place, N.W.
Washington, D.C. 20001

Housing Finance Agency
Executive Director
815 Florida Avenue, N.W.
Washington, D.C. 20001

University of the District of Columbia
President
Van Ness Campus
4200 Connecticut Avenue, N.W.
Washington, D.C. 20008

Not-For-Profit Hospital Corporation
d/b/a United Medical Center
Chief Executive Officer
1310 Southern Avenue, S.E.
Washington, D.C. 20032

The District established the District of Columbia Tobacco Settlement Financing Corporation (the Tobacco Corporation) as a special purpose, independent instrumentality of the District government. The Tobacco Corporation is a blended component unit because it provides services exclusively to the District and the District is able to impose its will on this organization. The District appoints all members of the Tobacco Corporation's governing body, which is authorized to modify or approve the Tobacco Corporation's budget, and appoint, hire, reassign, or dismiss those persons responsible for the organization's day-to-day operations.

Separate audited financial statements for the Tobacco Corporation are available at the Office of the Chief Financial Officer, Office of Finance and Treasury, 1101 4th Street, S.W., Suite 800, Washington, D.C. 20024.

C. RELATED ORGANIZATIONS

A related organization is one for which the primary government is responsible but not *financially accountable*. The District treats the District of Columbia Housing Authority and the District of Columbia Courts as related organizations because the District is not financially accountable for these entities. Although the Mayor appoints a voting majority of the Housing Authority's governing board, the District's accountability for this organization does not extend beyond such appointments. The Mayor does not appoint the members of the Courts' Joint Committee on Judicial Administration; however, the courts are considered related organizations because they provide the District with judicial services normally associated with state and local governments.

D. JOINT VENTURE

The District participates with other local jurisdictions in a joint venture to plan, construct, finance and operate a public transit system serving the Metropolitan Washington Area Transit zone, which includes the District of Columbia; the cities of Alexandria, Falls Church, Fairfax, Manassas, and Manassas Park and the counties of Arlington, Fairfax, Loudoun, and Prince William in Virginia; and Montgomery, Anne Arundel, and Prince George's in Maryland. The Washington Metropolitan Area Transit Authority (WMATA) was created in February 1967 to fulfill the purposes of the joint venture.

Pursuant to P.L. 111-62, which revised the WMATA compact agreement, WMATA is governed by an eight-member Board and eight alternates, comprised of two Directors and two alternates for Maryland, Virginia, the District of Columbia, and the federal government. The Directors and alternates for Maryland are appointed by the Washington Suburban Transit Commission from among its members; for Virginia, by the Northern Virginia Transportation Commission from among its members; for the District of Columbia, by the Council from its members and mayoral nominees; and for the federal government, by the Administrator for General Services. The District does not have explicit measurable equity interest in the joint venture; accordingly, the District does not include the financial activities of the joint venture in its financial statements. Further information regarding this joint venture is discussed in Note 12 on page 125.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. BASIS OF PRESENTATION

Government-wide Financial Statements – The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. Because assets of fiduciary funds are held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements. Governmental activities of the primary government, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The government-wide financial statements are comprised of the following:

- *Statement of Net Assets* – The Statement of Net Assets displays the financial position of the District's governmental and business-type activities and its discretely presented component units. The District reports all debts and capital assets, including infrastructure, in the government-wide Statement of Net Assets. The District reports net assets in three distinct categories: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

- *Statement of Activities* – The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include fines and forfeitures; charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The District also reports depreciation expense (the cost of "using up" capital assets) in the Statement of Activities.

Fund Financial Statements - Fund accounting is used to demonstrate legal compliance and to segregate transactions related to certain District functions or activities. Each fund represents a separate accounting entity and the transactions in each fund are summarized in a separate set of self-balancing accounts which include assets, liabilities, fund equity, revenues and expenses/ expenditures.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

Governmental funds are used to account for all of the District's general activities. The acquisition, use and balance of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Funds and the discretely presented component units) are accounted for in the Governmental Funds.

The District reports the following major governmental funds:

- *General Fund* - used to account for all financial resources not accounted for in other funds.

- *Federal and Private Resources Fund* - used to account for proceeds of intergovernmental grants and other federal payments, private grants and private contributions that are legally restricted to expenditure for specified purposes.

- *Housing Production Trust Fund* – used to account for the financial resources which provide financial assistance to a variety of affordable housing programs and opportunities across the District such as: (a) fund initiatives to build affordable housing; (b) provide homeownership opportunities for low income families; and (c) preserve existing federally assisted housing. The Housing Production Trust Fund is administered by the Department of Housing and Community Development.

- *General Capital Improvements Fund* - used to account for the purchase or construction of capital assets financed by operating transfers, capital grants or debt proceeds.

Nonmajor Governmental Funds include four Special Revenue Funds: (1) Tax Increment Financing (TIF) Program Fund; (2) Tobacco Settlement Financing Corporation (TSFC) Fund; (3) PILOT Special Revenue Fund; and (4) Baseball Project Fund. Other Nonmajor Governmental Funds include the Highway Trust Fund, and the Baseball Debt Service Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Proprietary Funds are used to account for activities similar to those found in the private sector. The criteria for inclusion as a proprietary fund include: (a) the costs (including depreciation) of providing goods or services primarily or solely to the public on a continuing basis are financed or recovered mostly through user charges; and (b) the determination of net income is necessary or useful for sound financial administration. The District's proprietary funds include two major enterprise funds which are discussed below:

- *Lottery and Games Fund* - used to account for revenues from lotteries and daily numbers games operated by the District, and from the issuance of licenses to conduct bingo games and raffles, and related prizes, expenses and capital outlays. Gaming activities are administered by the Lottery and Charitable Games Control Board consisting of five members appointed by the Mayor with the consent of the Council.

- *Unemployment Compensation Fund* - used to account for the accumulation of financial resources to be used for benefit payments to unemployed former employees of the District and federal governments and of private employers in the District. Resources are contributed by private employers at rates fixed by law, and by the federal government on a reimbursable basis. The administrative costs of the program are accounted for in the General Fund.

  Unemployment Insurance in general is a federal-state program that provides temporary benefits to workers who become unemployed through no fault of their own, and who are able and available for work. The benefits paid to unemployed workers reduce the hardship of unemployment, help maintain purchasing power of the unemployed, thereby supporting the local economy, and help to stabilize the workforce so that local workers are available to employers when they are ready to re-employ. The cost of the unemployment insurance program is financed by employers who pay state and federal taxes on part of the wages paid to each employee in a calendar year.

  The Emergency Unemployment Compensation (EUC) program is a 100% federally funded program that provides benefits to individuals who have exhausted regular state benefits. The EUC program was created on June 30, 2008 and has been modified several times. The extended benefits payments beyond the 26 weeks base period have to be authorized by the Federal Government. When this happens, the states, including the District of Columbia, are reimbursed by the Federal Government to cover the extended benefits. States are obligated to pay after the expenditures are incurred. Therefore, the District does not record the Federal Extended benefit because the expenditures have not actually been incurred.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations or other governments. The District reports the following fiduciary funds:

- *Pension Trust Funds* – used to report the activities of the District's retirement systems, which accumulate financial resources for pension benefit payments to eligible District employees.

  Other Postemployment Benefits (OPEB) Trust Fund – used to report assets that are accumulated and benefits that are paid for postemployment healthcare and life insurance.

- *Private Purpose Trust Fund* - used to report trust arrangements not reported in pension trust funds under which principal and income benefit individuals, private organizations, or other governments. The District uses this fund to account for amounts held in its 529 College Savings Investment Plan, which was established to help families save for college education expenses of designated beneficiaries while also receiving certain tax benefits.

- *Agency Funds* – used to report those resources which are held by the District in a purely custodial capacity and do not involve measurement of results of operations.

Fiduciary funds are not included in the government-wide financial statements because the resources cannot be used for operations of the government.

Prior Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include sufficient details to constitute a presentation in conformity with U.S. generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the District's financial statements for the year ended September 30, 2011, from which such summarized information was derived.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental entities as established by the Governmental Accounting Standards Board (GASB).

Government-Wide Financial Statements

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Therefore, the Statement of Net Assets reports all assets, including receivables regardless of when collected, and capital assets, such as heavy trucks and infrastructure (i.e., highways and bridges), and all liabilities regardless of when payment is due. The Statement of Activities is designed to present the degree to which the direct expenses of a particular function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for goods or services, grant revenues, and fines. Tax revenues are reported separately as general revenues. The Statement of Activities reports: (a) expenses associated with governmental activities; (b) expenses associated with business-type activities; and (c) the expenses of component units. The expenses of the governmental activities include governmental fund expenditures that are not eliminated or reclassified and current year depreciation on capital assets. The effect of interfund activity is eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental Funds

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Unassigned fund balance represents spendable resources that have not been restricted, committed, or assigned to specific purposes.

Under the modified accrual basis of accounting, revenues of governmental funds are recognized in the year they become susceptible to accrual (both measurable and available) to pay current fiscal year liabilities. Property taxes are considered to be available if they are collected within 60 days of the fiscal year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues, with the exception of expenditure-driven grants, which are recognized when all eligibility criteria and compliance requirements have been met and the related amounts are earned.

GASB Interpretation No. 6 (GASBI 6) requires that service payment expenditures and liabilities such as debt service, compensated absences, claims and judgments, and special termination benefits be recorded in the governmental fund statements only when they mature or become due for payment within the period. Otherwise, such activity is reported in the government-wide financial statements as incurred.

Proprietary Funds, Pension and OPEB Trust Funds, and Component Units

The proprietary funds, pension and OPEB trust funds, private purpose trust fund, and discretely presented component units are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Net assets of the proprietary funds are segregated into invested in capital assets, net of related debt; and restricted and unrestricted components. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred. The related operating statements of proprietary funds present increases (revenues) and decreases (expenses) in net assets. Operating statements of pension and private purpose trust funds present additions and deductions in fiduciary net assets.

Proprietary funds classify revenues and expenses as either operating or nonoperating. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary funds' financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The District also has the option of following private-sector guidance issued after November 30, 1989, for its business-type activities and enterprise funds and component units. As allowed by GASB Statement No. 20, the District has elected to

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

follow only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB), issued prior to December 1, 1989.

The Pension and OPEB Trust Funds recognize additions to net assets derived from various sources, as follows:

- Participants' contributions, when due;
- District contributions, when due and a formal commitment for payment has been made; and
- Net investment income, as earned.

Expenditures for benefits and refunds are recognized when due and payable. The Private Purpose Trust Fund recognizes additions to net assets when participants' contributions are received.

Revenue Recognition (by Type or Source)

Property Taxes

Property taxes are recognized as revenue in the tax year for which they are levied, provided they are available.

Real property taxes are levied as of October 1 on property values assessed as of the preceding January 1. The tax levy is due and collectible in two equal installments on March 31 and September 15. After these dates, the bill becomes delinquent and the District may assess penalties and interest. Real property taxes attach as enforceable liens on property as of October 1 of the year after levy.

In the District, the personal property tax is self-assessed. Each year, on or before July 31, property owners must file a personal property tax return covering the tax year beginning July 1 and ending June 30 of the next year. The return should report the remaining cost (current value) of all tangible personal property as of July 1 that is taxable in the District of Columbia. Property taxes are levied after the returns are filed. If a taxpayer fails to pay the levied taxes when due, the District would have a legal claim to the taxpayer's property. Pursuant to the Clarification of Personal Property Tax Revenue Reporting Act of 2011, the revenue budget for Personal Property Tax is formulated with the understanding that 100% of collections are to be allocated for the year in which the tax was levied.

Other Taxes and Revenues

Sales and use taxes are recognized as revenue when the sales or uses take place. Interest on investments is recognized when earned. Charges for services are recorded as revenues when services are provided.

Intergovernmental Revenues

Intergovernmental revenues are amounts derived through agreements with other governments. In general, these revenues are comprised of contributions and grants made by the federal government to the District. Contributions are recognized as revenue when received. Generally, entitlements and shared revenues are recognized as revenue at the time of receipt or earlier, if measurable and available. Resources arising from grants are usually subject to certain eligibility requirements; therefore, most grant revenues are recognized as revenue only when the conditions of the grant are met. Grant funds received before all eligibility requirements are met are recorded as deferred revenue.

Supplemental Nutrition Assistance Program (SNAP)

The District participates in the federal government's Supplemental Nutrition Assistance Program (SNAP) (food stamp program), which is designed to increase the food purchasing power of economically disadvantaged residents. The District mainly uses the electronic benefits transfer (EBT) system that allows program beneficiaries to charge their qualifying food purchases, thereby eliminating the need for paper stamps. Revenues and expenditures are reported in the federal and private resources fund when the underlying transaction (the food purchase) occurs. SNAP expenditures totaled $234,768 and $227,783 in fiscal years 2012 and 2011, respectively.

Revenues Susceptible To Accrual

Revenues which are susceptible to accrual include: taxes, federal contributions and grants, charges for services, and investment income.

Revenues Not Susceptible To Accrual

Licenses, permits, fines, and forfeitures are recorded as revenue when received in cash because they are generally not measurable until received.

G. BASIS OF BUDGETING AND BUDGETARY CONTROL POLICIES

Process

On or about March 20 of each year, at the direction of the Council, the Mayor submits to the Council an annual budget for the District of Columbia government, which includes: (1) the budget for the forthcoming fiscal year, commencing October 1, specifying the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

agencies and purposes for which funds are being requested; (2) an annual budget message; (3) a multi-year plan for all agencies of the District government; and (4) a multi-year capital improvement plan by project for all agencies of the District government. The Council holds public hearings and adopts the budget through passage of a budget request act. The Mayor may not forward and the Council may not adopt any budget for which expenditures and other financing uses exceed revenues and other financing sources. On or about June 1 of each year, after receipt of the budget proposal from the Mayor, and after the public hearings, the Council adopts the annual budget for the District of Columbia government. The Mayor submits the budget to the President for transmission by him to the Congress. After public hearings, the Congress enacts the budget through an appropriations act.

Appropriations Act

The Congressional Appropriations Act authorizes District government expenditures at the function level or by appropriation title, such as Public Safety and Justice, Human Support Services, or Public Education. In general, after enactment of the annual Appropriations Act by Congress, the District may transmit amendments or supplements to the budget by submitting a request for supplemental appropriation to the President and Congress. However, within certain limits, pursuant to D.C. Code §47-369.02, the District may supplement its General Fund budget simply by sending notification to Congress 30 days in advance of the changes taking place.

Pursuant to Home Rule Act § 446 and the Reprogramming Policy Act (D. C. Official Code §47-363 (2001), as amended), the District may reallocate budget amounts. The appropriated budget amounts in the Budgetary Comparison Statement (Exhibit 2-d) include all approved reallocations and other budget changes. This statement reflects budget to actual comparisons at the function level (or appropriation title). Appropriated actual expenditures and uses may not legally exceed appropriated budgeted expenditures and uses at the function level as shown in this statement. A negative expenditure variance in the budgetary comparison statement for a particular function is a violation of the federal Anti-Deficiency Act (31 U.S.C. §§1341, 1342, 1349, 1351, 1511-1519 (2008)); the District of Columbia Anti-Deficiency Act (D.C. Official Code §§47-355.01-355.08, (2001)); and Section 446 of the Home Rule Act, (D.C. Official Code § 1-204.46). In addition, a negative expenditure variance for a particular agency within an appropriation is also a violation of the D.C. Anti-Deficiency Act.

The Appropriations Act specifically identifies expenditures and net operating results but does not specify revenue amounts. The legally adopted revenue budget is based primarily on the revenue estimates submitted to the President and Congress as modified through legislation.

By law, for budgeting purposes, the general fund includes the federal and private resources fund as presented in the Budgetary Comparison Statement in Exhibit 2-d. The budgetary basis of accounting used to prepare this statement differs from the GAAP basis used to prepare the general fund and federal and private resources fund statements presented in Exhibit 2-b due to the following differences:

- *Basis Differences* – which arise because the basis of budgeting differs from the basis of accounting prescribed by GAAP as indicated in Note 1X on page 77.

- *Entity Differences* – which result from the inclusion or exclusion of certain activities for budgetary purposes as opposed to those included or excluded on a GAAP basis as indicated in Note 1X on page 77.

Budgetary Controls

The District maintains budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by Congress and the President. The level of budgetary control (i.e. the level at which expenditures cannot legally exceed the appropriated amount) is established by function within the general fund.

Encumbrances

Encumbrance accounting is used in the governmental funds. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the required portion of an appropriation. Encumbrances outstanding at year-end do not constitute expenditures or liabilities for GAAP or budgetary purposes. Generally, encumbered amounts lapse at year-end in the General Fund and may be re-appropriated and re-encumbered as part of the subsequent year's budget. However, encumbered amounts do not lapse at year-end in the Capital Projects Fund, Special Revenue Funds, or Federal and Private Resources Fund.

Encumbered amounts at year-end have been included within the restricted, committed, or assigned fund balance, as appropriate, in **Table N55a** – Schedule of FY 2012 Fund Balance found on page 124.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. CASH AND INVESTMENTS

Cash

Cash from the governmental and proprietary funds is pooled unless prohibited by law. The cash management pool is used as a demand deposit account by each participating fund. If a fund overdraws its share of the pooled cash, that fund reports a liability (Due To) to the General Fund, which is deemed to have loaned the cash to the overdrawn fund. The General Fund reports a receivable (Due From) from the overdrawn fund.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in such a short period of time that their values are effectively immune from changes in interest rates. The District's cash management pool is considered a cash equivalent. For an investment to be considered a cash equivalent, it must mature no more than three months after the date it is purchased.

Investments

Any cash that is not needed for immediate disbursement is used to purchase investments. The District purchases legally authorized investments consistent with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56, D.C. Official Code §47-351.01, et seq.), which became effective March 18, 1998, and the District's Investment Policy, adopted November 2008. At September 30, 2012, the District invested primarily in securities backed by U.S. government agencies with the implicit guarantee of the federal government. Such investments are considered to be cash equivalents if they mature within 90 days after the date of purchase. The Pension Trust Funds are authorized to invest in fixed income, equity securities and other types of investments. Also, the Private Purpose Trust Fund is authorized to invest in eight portfolios which are comprised of equities, balanced funds, and fixed income securities.

Money market investments must be in compliance with the requirements of Rule 2a-7 (17 CFR 270.2a-7) under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.). Money market investments that have a maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value. Other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date. Cash received as collateral on securities lending transactions and investments made are reported as assets and related liabilities for collateral received.

I. INVENTORY

Inventory reported in the governmental funds consists of materials and supplies held for consumption. Inventory on hand at year-end is stated at cost (generally using the weighted average method.) The District utilizes the consumption method to account for inventory whereby materials and supplies are recorded as inventory when purchased and as expenditures/ expenses when they are consumed.

The inventories in the proprietary fund and discretely presented component units also consist of materials and supplies and are recorded at the lower of weighted average cost or market.

J. RESTRICTED ASSETS

Certain governmental and proprietary fund assets, some assets reported by the component units, and all fiduciary fund assets are restricted as to use by legal or contractual requirements. Any excess of restricted assets over liabilities payable from restricted assets is reported as part of the restricted net assets in the government-wide, proprietary, and fiduciary financial statements and as "restricted" fund balance in the governmental fund financial statements, to indicate the portion of the net assets or fund balance that is available for restricted purposes only. Restricted assets also include cash deposited in bank accounts legally restricted for certain purposes such as the payment of bond principal and interest or the payment of fiscal charges on long-term debt.

K. PREPAID ITEMS AND DEFERRED CHARGES

Prepaid items are payments made by the District in the current fiscal year for services to be received in the subsequent fiscal year. Such advance payments are recorded as prepaid charges at the time of prepayment and recognized as expenditures/expenses when the related services are received.

In governmental funds, long-term debt premiums/ (discounts) and issuance costs are recognized in the current period as other financing sources/(uses) and fiscal charges, respectively. In the government-wide financial statements, long-term debt premiums/(discounts) and issuance costs are capitalized and amortized over the term of the related debt using the outstanding balance method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. RECEIVABLES AND PAYABLES

Taxes receivable are taxes levied by the District, including interest and penalties on delinquent taxes, which have not been collected, canceled or abated, less the portion of the receivables estimated not to be collectible. Accounts receivable are amounts owed by customers for goods or services sold. Intergovernmental receivables are amounts owed by other governments to the District.

Accounts payable are amounts owed to vendors for goods or services purchased and received. Intergovernmental payables are amounts owed to other governments.

M. TRANSFERS AND OTHER TRANSACTIONS BETWEEN FUNDS

Interfund transactions are categorized as: (a) revenue and expense/expenditure transactions consisting of temporary interfund transactions which include reimbursements and quasi-external transactions; or (b) reallocation of resources, transactions including temporary interfund loans, advances or operating transfers. Reimbursements between funds occur when expenditures/expenses made from one fund are properly applicable to another fund.

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due To Other Funds" or "Due From Other Funds." Any remaining balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances." Short-term amounts owed between the primary government and a discretely presented component unit is classified as "Due To/From Primary Government" and "Due To/From Component Unit" on the Statement of Net Assets.

Transfers are included in the results of operations of both the governmental and proprietary funds. Accordingly, transfers are reported in the "Other Financing Sources/(Uses)" section of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds and in the "Transfers" section in the Statement of Revenues, Expenses, and Changes in Net Assets of the Proprietary Funds.

N. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, land improvements, and infrastructure (i.e., roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities or component units columns in the government-wide financial statements and proprietary fund financial statements. All purchased capital assets are stated at cost when historical records are available and at estimated historical cost when no historical records exist.

Assets acquired through capital leases are stated at the lesser of the present value of the lease payments or the fair value of the asset at the date of lease inception. Donated capital assets are stated at their estimated fair market value on the date received. The cost of maintenance and repairs that does not add to the value of the assets or materially extend their useful lives is not capitalized. Betterments are capitalized as separate assets. Capital asset purchases are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units' financial statements.

When the construction of assets is financed through the issuance of long-term debt, interest is capitalized in the government-wide financial statements for business-type activities and proprietary funds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred on tax-exempt debt from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capitalization and Depreciation Policies

Capitalized assets have an original cost of $5 (five thousand) or more per unit. Depreciation is calculated on each class of depreciable property using the straight-line method. Estimated useful lives for capital assets are shown in **Table N1** by class.

Table N1 – Estimated Useful Lives (by Asset Class)

	Useful life
Storm Drains	45 years
Infrastructure	20-40 years
Buildings	50 years
Equipment and Machinery	5-10 years
Furniture and Fixtures	5 years
Vehicles (and Other Mobile Equipment)	5-12 years
Library Books	5 years
Leasehold Improvements	10 years, not to exceed term of lease

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. CAPITAL LEASES

In general, a lease is considered to be a capital lease if it meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains an option to purchase the leased property at a bargain price.
- The lease term is equal to or greater than 75% of the estimated life of the leased property.
- The present value of rental and other minimum lease payments equals or exceeds 90% of the fair value of the leased property less any investment tax credit retained by the lessor.

Leased property having elements of ownership is recorded in the government-wide and proprietary fund financial statements. The related obligations, in amounts equal to the present value of future minimum lease payments due during the term of the leases, are also recorded in these financial statements.

P. COMPENSATED ABSENCES

Benefit Accumulation Policies

The District's policy allows employees to accumulate unused sick leave, with no maximum limitation. Annual (vacation) leave may be accumulated up to 240 hours, regardless of the employee's length of service, while there is no limit to the amount of compensatory leave (leave granted to eligible employees in lieu of paid overtime) that may be accumulated.

Accrual

The District records vacation leave as an expenditure and related liability in the governmental fund financial statements only to the extent that the compensated absences have matured or come due for payment. Accumulated annual leave that has not matured by the end of the current fiscal year is reported in the government-wide financial statements. Accumulated annual leave of the proprietary funds and discretely presented component units is recorded as an expense and liability as the benefits accrue to employees.

The District does not record a liability for accumulated rights to receive sick pay benefits. At the time of retirement, however, unused sick leave can be used to determine employees' years of service. District employees earn sick leave credits that are considered termination payments at the time of retirement. For instance, one month would be added to the years and months of service of employees who have accumulated 22 days of sick leave in the Civil Service Retirement System or in the District Retirement Program.

The District estimates the sick leave liability at fiscal year-end based on the number of employees who are currently eligible for retirement and sick leave payments upon separation, or who are expected to become eligible in the future to receive such payments.

Q. LONG-TERM LIABILITIES

Pursuant to Section 603 of the District of Columbia Home Rule Act, as amended, no long-term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all general obligation debt to exceed 17% of the total General Fund revenues of the fiscal year in which the debt is issued. The legal debt limitation is calculated annually by dividing maximum annual principal and interest by current-year total general fund revenues (excluding revenue and debt of the Water and Sewer Authority, pursuant to the Home Rule Act).

In addition, consistent with the Limitation on Borrowing and Establishment of Operating Cash Reserve Act of 2008 (D.C. Code § 47-335.02), the Council shall not approve a District bond issuance if the applicable annual debt service on the District bond issuance would cause the debt service on all District bonds in the fiscal year in which the District bonds are issued, or in any of the three succeeding fiscal years, to exceed 12% of General Fund expenditures, net of debt service, in any applicable fiscal year.

General obligation bonds, revenue bonds and other long-term liabilities directly related to and intended to be paid from proprietary funds or discretely presented component units are included in the accounts of such funds. All other long-term indebtedness of the District, such as disability compensation, compensated absences, employee separation incentives and accreted interest liabilities, which have been incurred but not financed, are reported in the government-wide financial statements. Such obligations are to be paid through the District's General Fund.

The District began paying principal on its 1994B Capital Appreciation Bonds (CABs) in June 2012, and will make such payments annually through June 2014. There are no periodic interest payments due. The CABs accrete to their full value at maturity. Interest is accreted and recorded annually using rates ranging

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

from 6.60% to 6.65%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

The District began paying principal on its 2002 Mandarin TIF CABs on July 1, 2002, and will make such payments annually until July 1, 2021. The CABs accrete to their full value at maturity. Interest is accreted and compounded semi-annually using rates ranging from 5.22% to 5.91%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

The District will begin paying principal on its 2006 Tobacco CABs in June 2046 and June 2055. There are no periodic interest payments due. The CABs accrete to their full value at maturity. Interest is accreted and recorded annually using rates ranging from 6.25% to 7.25%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

R. NEW ACCOUNTING STANDARDS ADOPTED

During the fiscal year ended September 30, 2012, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—An Amendment of GASB Statement No. 53

Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider commits or experiences either an act of default or a termination event as described in the related swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements, or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Those provisions require governments to cease hedge accounting upon termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

Issued in June 2011, the objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. Statement No. 64 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue.

Implementation of this statement had no material impact on the District's fiscal year 2012 financial statements.

S. NEW ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED IN THE FUTURE

The District plans to implement the following pronouncements by the required implementation dates or earlier, when deemed feasible.

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements

Issued in November 2010, this statement addresses issues related to service concession arrangements (SCAs) between a transferor (a government) and an operator (governmental or non-governmental entity) in which: (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration; and (2) the operator collects and is compensated by fees from third parties. This statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met.

This statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows; the rights granted and retained; and guarantees and commitments.

The requirements of this statement are effective for periods beginning after December 15, 2011, the District's fiscal year 2013.

Statement No. 61, The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34

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Issued in November 2010, this statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This statement also amends the criteria for reporting component units as if they were part of the primary government (that is blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, this statement additionally requires that: (1) the primary government and the component unit have a financial benefit or burden relationship; or (2) management (below the level of elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Additional guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

The requirements of this statement are effective for periods beginning after June 15, 2012, the District's fiscal year 2013.

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

Issued in December 2010, this statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board Opinions; and
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures.

This statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 in that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

The requirements of this statement are effective for periods beginning after December 15, 2011, the District's fiscal year 2013.

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Issued in June 2011, this statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of

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the required components of the residual measure, and by renaming that measure "net position," rather than net assets.

The requirements of this statement are effective for periods beginning after December 15, 2011, the District's fiscal year 2013.

Statement No. 65, Items Previously Reported as Assets and Liabilities

Issued in March 2012, this statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Statement No. 65 amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The requirements of this statement are effective for periods beginning after December 15, 2012, the District's fiscal year 2014.

Statement No. 66, Technical Corrections – 2012—an Amendment of GASB Statements No. 10 and No. 62

Issued in March 2012, the objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits funds-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively.

The requirements of this statement are effective for periods beginning after December 15, 2012, the District's fiscal year 2014.

Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25

Issued in June 2012, this statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

This Statement, along with Statement No. 68, Accounting and Financial Reporting for Pensions, establishes a definition of a pension that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:

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- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, as follows:

- Single-employer pension plans - those in which pensions are provided to the employees of only one employer (as defined in this Statement)
- Agent multiple-employer pension plans (agent pension plans) - those in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees
- Cost-sharing multiple-employer pension plans (cost-sharing pension plans) - those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria.

The requirements of this statement are effective for fiscal years beginning after June 15, 2013, the District's fiscal year 2014.

Statement No. 68, Accounting and Financial Reporting for Pensions –an amendment of GASB Statement No. 27

Issued in June 2012, this Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and related expenses/ expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The requirements of this statement are effective for fiscal years beginning after June 15, 2014, the District's fiscal year 2015.

T. NET ASSETS AND FUND BALANCE

The difference between assets and liabilities is "Net Assets" in the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" in governmental fund statements. In the government-wide and proprietary fund financial statements, "Net Assets" is further categorized as:

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category. Restricted cash balances from debt issuances not yet spent increase the balance in this category.
- *Restricted Net Assets* - This category presents net assets subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Non-expendable restricted net assets represent the portion of net assets that must be held in perpetuity in accordance with donor stipulations.
- *Unrestricted Net Assets* - This category represents net assets not restricted for any project or other purpose.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in governmental fund financial statements, fund balances are classified as follows:

- *Nonspendable* - resources which cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- *Restricted* – resources with use constraints which are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which can only be used for specific purposes pursuant to limitations imposed by formal action of the District government's highest level of decision-making authority. Amounts in this category may be redeployed for other purposes with the appropriate due process. Committed amounts cannot be used for any other purpose unless the District government removes or changes the specified use by taking the same type of action it used to previously commit the amounts.
- *Assigned* – resources neither restricted nor committed for which the District has a stated intended use as established by the Mayor, Council, or a body or official to which the Mayor or Council has delegated the authority to assign amounts for

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specific purposes. These are resources where the constraints/restrictions are less binding than that for committed resources.

- *Unassigned* – resources which cannot be classified in one of the other four categories. The general fund is the only fund that is permitted to report a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance may be reported.

For committed fund balance, the bodies which have the highest level of decision-making authority are the Executive Office of the Mayor and the Council of the District of Columbia (the Council). The Council must pass legislation to establish, modify, or rescind a commitment of fund balance. Consistent with Sections 424, 448, and 450 of the District of Columbia Home Rule Act, the District's Mayor, Council, and Chief Financial Officer are responsible for managing the District's financial resources. In fulfilling their respective responsibilities, the Mayor, Council, or Chief Financial Officer, as authorized, may assign portions of fund balance for specific purposes; however, the assignment of fund balance must be formally documented in the form of an Executive Order, letter, or some other official directive.

It is the policy of the District to use Restricted resources first, followed by Committed resources and the Assigned resources, when expenses are incurred for purposes for which any of these resources are available. Therefore, the District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and considers committed fund balance to have been spent when an expenditure has been incurred for purposes for which committed, assigned, or unassigned amounts could have been used. The District does, however, reserve the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

Consistent with mandates imposed by the federal government and D.C. Code §1-204.50a, the District is required to maintain cash reserves totaling 6% of the previous fiscal year's general fund expenditures less debt service costs. The 6% includes a contingency cash reserve of 4% and an emergency cash reserve of 2%.

As of September 30, 2012, the District's fund balance included the following categories (see **Table N55a** on page 124.)

Nonspendable Fund Balance

Long Term Assets – This portion of fund balance represents those long-term assets that are not available for appropriation and expenditure.

Inventory – This portion of fund balance represents amounts not available for appropriation or expenditure because the underlying asset (inventory) is not an available financial resource for appropriation or expenditure.

Restricted Fund Balance

Emergency and Contingency Cash Reserve – This portion of fund balance represents amounts that, in accordance with legislative mandate, are held in an emergency and contingency cash reserve fund, to be used for unanticipated and non-recurring, extraordinary needs of an emergency nature.

Debt Service – Bond Escrow – This portion of fund balance represents that portion of investments held in escrow that are available for future debt service obligations or requirements.

Budget – This portion of fund balance represents unused FY 2012 budget reserve amounts that are restricted for specific purposes and available for such purposes until expended.

Purpose Restrictions – This portion of fund balance represents resources from grants and other revenues with limitations on how the District may expend the funds.

Payment in Lieu of Taxes (PILOT) – This portion of fund balance is restricted for payment of future debt service associated with the PILOT Revenue Bonds.

Tobacco Settlement – This portion of fund balance is restricted to pay future debt service and related expenses associated with the Tobacco Corporation's issuance of Tobacco Settlement Asset-Backed Bonds in fiscal years 2001 and 2006.

Tax Increment Financing (TIF) Program – This portion of fund balance is restricted for debt service on TIF Bonds.

Housing Production Trust Fund – This portion of fund balance is restricted to provide financial assistance to developers for the planning and production of low, very low, and extremely low income housing and related facilities.

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Highway Projects – This portion of fund balance is restricted for the purpose of executing federal highway projects.

Baseball Special Revenue – This portion of fund balance represents resources set aside for baseball debt service payments.

Committed Fund Balance

Fiscal Stabilization Reserve – This portion of fund balance is committed to purposes permitted for use of the Contingency Reserve Fund (except for cash flow management purposes).

Cash Flow Reserve – This portion of fund balance is committed to cover cash flow needs; provided that any amounts used must be replenished to this reserve in the same fiscal year.

Integrated Service Fund– This portion of fund balance is committed to fund interdisciplinary programs and services designed to meet the needs of at-risk children, youth and their families.

Budget Support Act – This portion of fund balance is committed to various non-lapsing accounts established in the budget support act, which is a local law.

Fixed Cost Commodity Reserve – This portion of fund balance represents unexpended funds which were appropriated for fixed costs at the end of the fiscal year pursuant to the Commodities Cost Reserve Fund Act of 2005.

Youth Jobs Fund – This portion of fund balance is committed for programs to provide in-school, out-of-school, and year-round employment programs for youth to work at least ten hours per week

Healthcare Forfeiture - This portion of fund balance represents 401(a) Defined Contribution Pension Plan contribution amounts which have been forfeited by former employees who have separated from District service before the vesting period expires. Such forfeited contributions may be used to reduce the aggregate amount of plan contributions or fund retirees' health and life insurance benefits.

Dedicated Taxes – This portion of fund balance represents the portions of the District's tax revenue streams which are dedicated for specific purposes and are not available for general budgeting.

Other Special Purposes – This portion of fund balance is committed to activities financed by fees and charges for services.

Assigned Fund Balance

Contractual Obligations – This portion of fund balance represents amounts set aside by the executive branch to fund other special purpose (O-Type) fund activities.

Subsequent Years' Expenditures – This portion of fund balance represents amounts to be used to finance certain non-recurring policy initiatives and other expenditures included in the FY 2013 budget approved by the District Council.

Unassigned Fund Balance

Capital Projects – This portion of fund balance is restricted for the purpose of executing capital projects. The capital projects fund reported a negative unassigned fund balance at September 30, 2012 because expenditures were made in the Capital Projects Fund from resources that were advanced from the General Fund in anticipation of bond proceeds that will be restricted to the purpose for which those expenditures were made.

Minimum Fund Balance Policies

Restricted Fund Balances

Through Congressional mandate, the District is required to maintain cash reserves totaling 6% of the previous fiscal year's general fund expenditures less debt service cost. The 6% is comprised of a contingency cash reserve of 4% and an emergency cash reserve of 2%. These reserves are reported as restricted cash and restricted net assets in the government-wide financial statements.

Contingency Reserve

The contingency reserve may only be used for nonrecurring or unforeseen needs that arise during the fiscal year, including expenses associated with unforeseen weather conditions or other natural disasters, unexpected obligations created by federal law or new public safety or health needs or requirements that have been identified after the budget process has occurred, or opportunities to achieve cost savings. In addition, the contingency reserve may be used, as needed, to cover revenue shortfalls experienced by the District government for three consecutive months (based on a two-month rolling average) that are 5% or more below the budget forecast. The contingency reserve fund may not be used to fund any shortfalls in any projected reductions which are included in the

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budget proposed by the District for the fiscal year.

Each fiscal year, the District must appropriate sufficient funds during the budget process to replenish any amounts allocated from the contingency reserve fund during the preceding fiscal years. Such appropriation is necessary so that not less than 50% of any amount allocated in the preceding fiscal year or the amount necessary to restore the contingency reserve fund to the 4% required balance, whichever is less, is replenished by the end of the first fiscal year following such allocation. In addition, 100% of the amount allocated or the amount necessary to restore the contingency reserve fund to the 4% required balance, whichever is less, must be replenished by the end of the second fiscal year following each such allocation.

Emergency Reserve

The emergency reserve fund may be used to provide for unanticipated and nonrecurring extraordinary needs of an emergency nature, including a natural disaster or calamity or unexpected obligations by federal law. The emergency reserve fund may also be used in the event that a State of Emergency is declared by the Mayor. However, the emergency reserve fund may not be used to fund: (a) any department, agency, or office of the District government which is administered by a receiver or other official appointed by a court; (b) shortfalls in any projected reductions which are included in the budget proposed by the District for the fiscal year; or (c) settlements and judgments made by or against the District government.

Each fiscal year, the District must appropriate sufficient funds during the budget process to replenish any amounts used from the emergency reserve fund during the preceding fiscal years. Such appropriation is necessary so that not less than 50% of any amount allocated in the preceding fiscal year or the amount necessary to restore the emergency reserve fund to the 2% required balance, whichever is less, is replenished by the end of the first fiscal year following such allocation. In addition, 100% of the amount allocated or the amount necessary to restore the emergency reserve fund to the 2% required balance, whichever is less, must be replenished by the end of the second fiscal year following each such allocation.

Committed Fund Balances

Fiscal Stabilization Reserve

The fiscal stabilization reserve may be used by the Mayor for the same purposes for which the contingency reserve was established (except for cash flow management purposes.) At full funding, this reserve must equal 2.34% of the District's General Fund operating expenditures for each fiscal year.

Cash Flow Reserve

The cash flow reserve may be used by the District's Chief Financial Officer to cover cash flow needs. When amounts are used, the cash flow reserve must be replenished in the same fiscal year of use. At full funding, the cash flow reserve must equal 8.33% of the General Fund operating budget for each fiscal year.

If either the fiscal stabilization reserve or the cash flow reserve are below full funding upon issuance of the Comprehensive Annual Financial Report, the District's Chief Financial Officer must commit 50% of the unassigned end-of-year fund balance to each reserve, or 100% of the end-of-year fund balance to the reserve that has not reached full capacity, to fully fund the reserves to the extent allowed by the end-of-year fund balance. Moreover, if the amount required for the contingency reserve or emergency cash reserve is reduced, the amount required to be retained in the fiscal stabilization reserve is to be increased by the same amount.

U. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 9 and pursuant to D.C. Code §1-621.13, employees hired after September 30, 1987, who retire may be eligible to continue their healthcare benefits. Furthermore, in accordance with D.C. Code §1-622.16, these employees may convert their group life insurance to individual life insurance. The expense of providing such benefits to employees hired prior to October 1, 1987, is paid by the federal government and the District has no liability for these costs. However, the District provides health and life insurance benefits to retirees first employed by the District after September 30, 1987.

The District utilizes a graded contribution schedule whereby District contributions to the plan are based on the employee's years of creditable District service. District contributions are limited such that the District pays no more than 72% of the cost of health insurance, and 33% of the cost of life insurance for eligible retirees. The District also pays no more than 60% of the premium for a retiree's spouse and dependent health insurance coverage. More information regarding the OPEB contribution policy is presented in Note 10 on page 121.

The District records a liability in its government-wide financial statements for its portion of the cost of postemployment benefits. A liability for such benefits is not recorded in the fund statements. The District

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began funding the OPEB plan on an actuarial basis in fiscal year 2008.

As of September 30, 2012, there were 595 OPEB Plan participants receiving such benefits. The participants were comprised of 458 teachers, police, and firefighters, and 137 general District retirees. During fiscal year 2012, $4.2 million was paid from the OPEB plan for the associated insurance carrier premiums and other administrative costs.

V. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to use estimates and make assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements. The use of estimates may also affect the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from the estimates used.

W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and governmental activities on the government-wide statement of net assets

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds versus net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that certain liabilities, including deferred revenue, are not reported under the modified accrual basis of accounting, but are reported in the government-wide financial statements. The difference in deferred revenue of $89,833 between the two statements is a reconciling item, which is attributable to the modified accrual basis of accounting having been used to recognize property tax revenues in the governmental funds as this amount is not currently available for use in fiscal year 2012. The accrual basis of accounting is used to record revenues in the government-wide financial statements.

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and governmental activities on the government-wide statement of activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances of governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

The details of the $609,648 difference related to capital outlay are as follows:

Capital outlay capitalized	$	879,416
Less:		
Depreciation expense		(385,230)
Capital asset additions		120,189
Transfer and dispositions		(4,727)
Net Adjustment	**$**	**609,648**

Deferred property tax revenues which were earned but not currently available financial resources for the purpose of recognition in the governmental funds were recognized in the government-wide financial statements. Such revenues were $10,285 more in the statement of activities than in the statement of revenues, expenditures and changes in fund balances.

The details of the ($406,731) difference related to long-term liabilities are as follows:

Bonds issued	$	(1,047,580)
Equipment financing program		(49,463)
Premium on long-term debt		(124,679)
Loan payable		(101,640)
Capital lease		(3,401)
Less:		
Bonds current refunding		623,535
Principal payments on G.O. bonds		63,583
Principal payments on other long-term debt		210,516
Amortization of premium		45,740
Fiscal charges -net		(23,342)
Net Adjustment	**$**	**(406,731)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The details of the ($60,889) difference related to the change in accrued liabilities are as follows:

Annual leave	$ 4,304
Accreted interest	(7,390)
Accrued interest	(3,796)
Claims and judgments	(86,307)
Accrued disability compensation	16,291
Unfunded pension expenses	2,609
Net OPEB liability	13,400
Net Adjustment	**$ (60,889)**

X. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

The following presents the reconciliation of the budgetary basis operating results to the GAAP basis.

	GENERAL FUND	FEDERAL AND PRIVATE RESOURCES
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	$ 416,727	$ 11,174
Basis differences:		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	1,687	6,693
Transfers/Reclassifications	(6,000)	-
Debt related adjustments	(12,659)	-
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	(5,769)	(25,306)
Change in fair value of investments	7,641	-
State education loan program	-	4,750
Federal pass-through contribution	-	717,458
Federal pass-through expenditures	-	(717,458)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES - GAAP BASIS	**$ 401,627**	**$ (2,689)**

The offsetting federal pass through contribution/expenditures are comprised of: On behalf payment to D.C. Federal Pension Fund ($482,400) and payments to eligible low income families under the Supplemental Nutrition Assistance Program (SNAP) ($235,058).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Y. RESTATEMENT

Component Unit

Housing Finance Agency

Change in Accounting Policy, Net Assets and Escrow Liability Accounts for Multifamily Funds - In order to achieve greater consistency in presenting conduit multifamily transactions on the face of the financial statements, the Housing Finance Agency has changed the way it accounts for pre-2009 multi-family projects by reclassifying a portion of the Multifamily (Conduit Bond) Program net assets attributable to the accounts funded with project owner contributions into escrow liabilities included in the "Project funds held for borrower and other liabilities" account.

The effect of this change in accounting policy is as follows:

October 1, 2011, as previously reported	$ 1,713,626
DCHFA Accounting Policy Change	(31,630)
October 1, 2011, restated	**$ 1,681,996**

NOTE 2. CASH AND INVESTMENTS

A. CASH

The District of Columbia follows the practice of pooling cash and cash equivalents for some of its governmental funds and component units in order to provide better physical custody and control of cash, to enhance operational efficiency, and to maximize investment opportunities. Of the $2,816,787 within the custody of the District, in accordance with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56), which became effective on March 18, 1998, and other District policies, substantially all deposits as of September 30, 2012, were insured or collateralized with securities held by the District or by its agent in the District's name. At September 30, 2012, the carrying amount of cash for the primary government and fiduciary funds was $2,369,369 and the bank balance was $2,136,710. The carrying amount of cash (deposits) for the component units was $447,418 and the bank balance was $754,757.

B. INVESTMENTS

The Treasurer is authorized by District laws to invest funds in a manner that will preserve principal and meet the District's anticipated daily cash requirements, while maximizing investment earnings. The District purchases legally authorized investments consistent with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56) and the District's Cash and Investment Management Policy, adopted November 2008. The District's investment policy limits investments to obligations of the United States and agencies thereof, prime commercial paper, bankers' acceptances and repurchase agreements fully collateralized in obligations of the United States government and agency securities. During the fiscal year, the District's investments (other than those held by the Retirement Board) consisted primarily of money market funds and/or obligations backed by the United States government or its agencies. See **Table N5a** on page 82 for details.

The Retirement Board is authorized to manage and control the investment of the District Retirement Funds' (Teachers', Police Officers' and Firefighters' Retirement Funds) assets. The Retirement Board may invest in a variety of investments including fixed income, equity securities and other types of investments. As prescribed in D.C. Code §1-907.01 (2001 ED), the Retirement Board may not invest in debt instruments of the District, the Commonwealth of Virginia, or the State of Maryland governments, political subdivisions thereof, or any entity subject to control by them; debt instruments fully guaranteed by those governments; real property in those jurisdictions; or debt instruments secured by real property in those jurisdictions, subject to the exceptions in subsection (c) of this section.

The fair values of the investments held in the control of the Retirement Board as of September 30, 2012 are presented in **Table N2**.

NOTE 2. CASH AND INVESTMENTS

Table N2 – Fair Values of Investments: Retirement Board

	2012	2011
Cash and short-term investments	$ 74,516	$ 149,759
Investments at fair value:		
Domestic equity	1,256,317	1,127,083
International equity	1,572,788	1,104,957
Fixed income	1,399,703	1,339,980
Real estate	253,621	203,157
Private equity	682,583	716,486
Total cash and investments at fair value	$ 5,239,528	$ 4,641,422

Table N3 presents the debt instruments which were held by the Retirement Board's Investment Pool as of September 30, 2012.

Table N3 – Debt Instruments Held by the Retirement Board Investment Pool at September 30, 2012

Investment Type	Fair Value	% of Segment	Duration	Rating
US Agency	$ 10,294	0.74%	5.72	AA+
Asset Backed	16,307	1.17%	1.42	AA
CMBS	7,023	0.50%	2.32	A+
CMO	16,227	1.16%	3.48	AA+
Corporate	187,318	13.38%	3.55	BB
Foreign	12,454	0.89%	5.78	CCC
Mortgage Pass-Through	65,738	4.70%	1.75	AA+
Municipal	9,421	0.67%	10.22	AA+
US Treasury	113,794	8.13%	8.38	AA+
Yankee	37,958	2.71%	4.71	A
High Yield/Emerging Debt	62,950	4.50%	N/A	NR
Infrastructure Funds	101,300	7.24%	N/A	NR
US Tips Index Fund	165,149	11.80%	N/A	NR
US Debt Index Fund	587,320	41.95%	N/A	NR
Other	6,450	0.46%	N/A	NR
Total Fixed Income	$ 1,399,703	100.00%		

N/A - Not Available

The District's investments and those of its discretely presented component units are subject to interest rate, credit, custodial credit, and foreign currency risks. The District, including the Retirement Board, broadly diversifies the investments of District funds so as to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so.

The types of risks to which the District may be exposed are described below:

- *Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity will have a greater sensitivity to fair value changes that are related to market interest rates. As a means of limiting its exposure to fair value losses resulting from rising interest rates, the District's investment policy limits the District's portfolio to specific maturities.

The District's investment policy stipulates that for the District's authorized investments, investment maturities are limited as follows:

Type of Investment	Maturity	Maximum Investment
U.S. Treasury Obligations	Five years	100%
Federal Agency Obligations	Five years	100%
Repurchase Agreements	90 days or less	100%
Commercial Paper	180 days or less	30%
Bankers' Acceptances	270 days or less	40%
Municipal Obligations	Five years	20%
Federally Insured or Collateralized Certificates of Deposit		30%
Money Market Mutual Funds		100%

The Retirement Board monitors the interest rate risk inherent in its portfolio by measuring the weighted average duration of its portfolio. Duration is a measure of a debt instrument's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. As a general rule, the risk and return of the Retirement Board's fixed income segment of the portfolio is compared to the Barclays Capital US Universal Index. To mitigate interest rate risk, the fixed income segment is expected to maintain a weighted average duration (sensitivity to interest rate changes) within +/-2 years of the duration of this Index.

- *Credit Risk* – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

NOTE 2. CASH AND INVESTMENTS

The District's Investment Policy limits investments in commercial paper, bankers' acceptances, municipal obligations, and money market mutual funds to certain ratings issued by nationally recognized credit rating agencies. District policy requires that for investments in: (a) commercial paper, the issuing corporation, or its guarantor have a short-term rating of no less than A-1 (or its equivalent) by at least two credit rating agencies; (b) bankers' acceptances, the short-term paper of the issuer be rated not lower than A-1 or the equivalent by a credit rating agency; (c) municipal obligations, such as bonds, notes, and other evidences of indebtedness be rated in either of the two highest rating categories by a credit rating agency, without regard to gradation; and (d) money market mutual funds, the fund be rated AAAm or AAAm-G or the equivalent by a credit rating agency.

Unless specifically authorized otherwise in writing by the Retirement Board, fixed income managers invest retirement funds in investment grade instruments rated in the top four categories by a recognized statistical rating service.

- *Custodial Credit Risk* – Custodial credit risk is the risk that, given a financial institution's failure, the government will not be able to recover deposits or collateral.

  Custodial credit risk occurs when investment securities are uninsured and/or not registered in the name of the government, and there is failure of the counterparty. In such cases, the government will not be able to recover the value of its investments or collateral securities held in the possession of an outside party. The District had no custodial credit risk exposure during the fiscal year. All District investments in fiscal year 2012 were collateralized. All collateral for investments is held in the District's name by the Federal Reserve in a custodial account. Any funds not invested at the end of the day are placed in overnight investments in the District's name.

  The Retirement Board had no custodial credit risk exposure during the fiscal year. All Retirement Board investments in fiscal year 2012 were collateralized. Investments held by the custodian on behalf of the Retirement Board were held in an account in the Retirement Board's name. Any funds not invested at the end of the day are placed in overnight investments in the Retirement Board's name.

- *Concentration of Credit Risk* – The District's investment policy does not allow for an investment in any one institution that is in excess of twenty-five percent of the District's total investment. At September 30, 2012, the District was in compliance with this policy.

- *Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair values of an investment.

  As a general policy of the Retirement Board, investment managers with authority to invest in securities denominated in a foreign currency may reduce exposure to currency risk by systematically hedging foreign currency positions back to U.S. dollars through the foreign currency markets. Because the forward exchange rate is seldom equal to the spot exchange rate, forward hedging gains and losses may arise.

  At September 30, 2012, other than the Retirement Board, the District had no exposure to foreign currency risk. At the end of fiscal year 2012, the Retirement Board held investments that were denominated in a currency other than the United States dollar, as presented in **Table N4**.

NOTE 2. CASH AND INVESTMENTS

Table N4 – Retirement Board Investments Denominated in Foreign Currency

	Asset Class (in $000s)					
	Cash	Equities	Fixed Income	Private Equity	Swaps	Total
Australian Dollar	$ 334	$ -	$ -	$ -	$ 125	$ 459
Canadian Dollar	(36)	8	4,105	-	66	4,143
Swiss Franc	-	7,851	-	-	-	7,851
Euro	216	45,323	14,723	23,882	223	84,367
Pound Sterling	1	4,865	5,491	-	-	10,357
Hong Kong Dollar	-	6,763	-	-	-	6,763
Japanese Yen	-	21,188	-	-	-	21,188
South Korean Won	-	2,595	-	-	-	2,595
Swedish Krona	-	5,015	-	-	-	5,015
Singapore Dollar	1,319	-	-	-	-	1,319
Total Foreign Currency	$ 1,834	$ 93,608	$ 24,319	$ 23,882	$ 414	$ 144,057

NOTE 2. CASH AND INVESTMENTS

Table N5a – Cash and Investments Detail

		Total Carrying Value
INVESTMENTS		
Primary Government:		
U. S. government securities	$ 16,381	
Mutual funds	388,255	
Total Primary Government		$ 404,636
Fiduciary Funds:		
Pension trust funds investments held by Board's agent in Board's name and Private Purpose Trust Fund:		
Equity securities	3,546,066	
Fixed income securities	1,473,964	
Real estate	253,621	
Private equity	682,583	
Total Fiduciary Funds		5,956,234
Component Units:		
U. S. government securities	438,181	
Corporate securities	16,727	
Investment contracts	438,327	
Mutual funds	86,870	
Total Component Units		980,105
Total reporting entity investments		$ 7,340,975
CASH BALANCES		
Primary government		$ 2,111,911
Fiduciary Funds		257,458
Component units		447,418
Total cash balances		**$ 2,816,787**

NOTE 2. CASH AND INVESTMENTS

Table N5b – Reconciliation of the District's Deposit and Investment Balances

Total investments per Table N5a	$ 7,340,975
Total cash balances	2,816,787
Total	$ **10,157,762**

	Exhibit 1-a			Exhibit 4-a				
	Primary Government	Component Units	Total (Exhibit 1-a)	Pension/OPEB Trust Funds	Private Purpose Trust Fund	Agency Funds	Total (Exhibit 4-a)	Total Deposit and Investment Balances
Cash and cash equivalents	$ 989,418	$ 159,366	$ 1,148,784	$ -	$ -	$ -	$ -	$ 1,148,784
Investments	-	196,572	196,572	-	-	-	-	196,572
Cash and cash equivalents (restricted)	1,122,493	288,052	1,410,545	203,819	-	53,639	257,458	1,668,003
Investments (restricted)	404,636	783,533	1,188,169	5,732,647	223,587	-	5,956,234	7,144,403
Total	$ **2,516,547**	**1,427,523**	$ **3,944,070**	$ **5,936,466**	$ **223,587**	$ **53,639**	$ **6,213,692**	$ **10,157,762**

Derivative Instruments

Derivative instruments are generally defined as contracts, the value of which depends on or derives from the value of an underlying asset, reference rate, or index. Structured financial instruments are also defined as derivatives, such as mortgage-backed securities, asset-backed securities, and floating rate notes. Other common types of derivatives used by governments include: interest rate and commodity swaps, interest rate locks, and forward contracts.

Table N6 presents the fair value balances and notional amounts of the District's derivative instruments outstanding at September 30, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2012 financial statements.

Table N6 - Derivative Instruments Outstanding at September 30, 2012

	Changes in Fair Value		Fair Value at September 30, 2012		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities:					
Cash flow hedges:					
Floating to fixed interest rate swaps:					
2008C Swap	Deferred outflow	($4,265)	Debt	($58,610)	$224,300
2007 A WC Swap	Deferred outflow	($925)	Debt	(13,298)	$84,085
2004B Swap	Deferred inflow	$679	Debt	(1,689)	$38,250
Deferred outflow of resources				($73,597)	
Floating to floating interest rate swaps:					
2001C/D Basis Swap	Investment Revenue	$216	Investment	$549	$194,850
Derivative instrument liabilities				($73,048)	

NOTE 2. CASH AND INVESTMENTS

The fair values of the interest rate swaps were provided by the counterparty to each respective swap and confirmed by the District's financial advisor. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. The fair values of the interest rate swaps were estimated using the zero coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve. The current swap and the new swap payments are present valued at the LIBOR spot rates. The difference in the present value of the cash flows will equal the fair value.

Objective and Terms of Hedging Derivative Instruments

Table N7 presents the objective and terms of the District's hedging derivative instruments outstanding at September 30, 2012, along with the credit rating of the associated counterparty.

Table N7 – Objectives and Terms of Hedging Derivative Instruments Outstanding at September 30, 2012

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swaps:						
2008 C Swap	Hedge of changes in cash flows on the Series 2008C Bonds (formerly 2002 A/B Bonds)	$ 224,300	10/15/02	06/01/27	Pay fixed rate of 3.615%; receive 67% of 1-month LIBOR	Baa1/A-/A
2007 AWC Swap	Hedge of changes in cash flows on the Series 2007 AWC PILOT Revenue Bonds	$ 84,085	09/20/07	12/01/21	Pay fixed rate of 4.463%; receive the rate that matches the rate paid on the underlying bonds	Aa3/AA/AA-
2004 B Swap	Hedge of changes in cash flows on the Series 2004B General Obligation Bonds	$ 38,250	12/03/04	06/01/20	Pay fixed rates of 4.598%, 4.701%, 4.794% and 5.121%; receive the rate that matches the rate on the underlying bonds	Aa3/A+/A+
Pay Floating Basis Swaps:						
2001 C/D Basis Swap	Reduces basis risk by providing for a closer match between the underlying variable rate bonds and the variable rate swap receipts from the counterparty	$ 194,850	06/02/03	06/01/29	Pay 67% of LIBOR; receive variable rate as a percentage of the actual LIBOR reset each month ranging from 60% to 90% of LIBOR	A2/A/A+

NOTE 2. CASH AND INVESTMENTS

Risks

Credit Risk

The fair market values of the interest rate swaps represent the District's obligation to the respective counterparties if the swap agreements were terminated. The District is exposed to credit risk on hedging derivative instruments that have positive fair values (or are in asset positions). To minimize its exposure to loss related to credit risk, the District diversified its counterparties and as such, has a different counterparty for each of its outstanding swaps. The credit ratings of each of the counterparties as of September 30, 2012 were as presented in **Table N7**.

The District was exposed to minimal credit risk because most of the interest rate swaps had negative fair values. The aggregate fair value of hedging derivative instruments in asset positions at September 30, 2012, was $549. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. In each of the District's swap agreements, the payments are netted against the obligations within each swap. As such, if the District is owed any payment due to an event of default by the counterparty that payment can be netted against any outstanding obligations within that specific swap agreement.

Interest Rate Risk

The District is exposed to interest rate risk on its interest rate swaps. As LIBOR or the SIFMA swap index decreases, the District's net payment on its pay-fixed, receive variable interest rate swaps increases.

As of September 30, 2012, the District had investments in derivative instruments with the following maturities:

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10
Investment in derivative instruments	$ 549	$ -	$ -	$ -	$ 549

The District invested in a floating-to-fixed rate swap in connection with its $214,155 Multimodal General Obligation Bonds, Series 2001C and its $69,715 Multimodal General Obligation Refunding Bonds, Series 2001D (2001C/D Swap). At September 30, 2012, the notional amount of the 2001C/D Swap was $194,850. The District pays the counterparty 67% of LIBOR and the counterparty pays the District a variable rate as a percentage of the actual LIBOR reset each month. The original swap agreement was executed on December 6, 2001 and the District entered into an enhanced swap agreement on June 2, 2003. The 2001C/D swap matures in June 2029. At September 30, 2012, this interest rate swap had a fair value of $549.

Basis Risk

The District is exposed to basis risk on its pay-fixed interest rate swap and rate cap hedging derivative instruments because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than interest rates the District pays on its hedged variable-rate debt, which is remarketed every 7 days. In order to mitigate basis risk, the District typically executes a basis swap which pays the District a higher percentage of LIBOR as interest rates decrease. As of September 30, 2012, the weighted-average interest rate on the District's hedged variable–rate debt was approximately 0.19%, while the SIFMA swap index rate was 0.18% and 67% of LIBOR was 0.14%.

Termination Risk

The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the associated contract. The District is exposed to termination risks on its pay-fixed interest rate swap agreements, which incorporate the International Swap Dealers Association (ISDA) Master Agreement. The ISDA Master Agreement includes standard termination events. Accordingly, an interest rate swap may be terminated if a counterparty or its Credit Support Provider, or the District has one or more outstanding issues of rated unsecured, unenhanced senior debt and none of such issues has a rating of at least (i) BAA3 or higher as determined by Moody's Investors Service, Inc.; (ii) BBB-, or higher as determined by Standard & Poor's Ratings Service; or (iii) an equivalent investment grade rating determined by a nationally recognized rating service acceptable to both parties.

If at the time of termination, a hedging derivative instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements, as applicable.

Rollover Risk

The District is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the District will be re-exposed to the risks being hedged by the hedging derivative instrument. In order to mitigate this risk, the District matches the maturity of each fixed to floating rate

NOTE 2. CASH AND INVESTMENTS

swap with the maturity date of the underlying bonds. The District was not exposed to rollover risk during fiscal year 2012.

Retirement Board Derivatives

During fiscal year 2012, the District Retirement Funds, in accordance with the policies of the Retirement Board, and through the District Retirement Funds' investment managers who have full discretion over investment decisions, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses.

To-be-announced market trades (TBAs) (sometimes referred to as "dollar rolls") are used by the District Retirement Funds as an alternative to holding mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. The selected TBAs are used because they are expected to behave the same in duration and convexity as mortgage-backed securities with identical credit, coupon and maturity features. Credit risk is managed by limiting these transactions to primary dealers. Market risk for this type of security is not significantly different from the market risk for mortgage-backed securities.

Foreign currency forwards, futures contracts and foreign currency options are generally used by the District Retirement Funds for defensive purposes. These contracts hedge a portion of the District Retirement Funds' exposure to particular currencies on occasion when significant adverse short-term movement in exchange rate levels is expected.

Foreign currency forward and futures contracts can pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the foreign exchange rates underlying the contracts used by the District Retirement Funds. Credit risk is managed by limiting transactions to counterparties with short-term credit ratings of Al or Pl or by trading on organized exchanges. Market risk for currency options is limited to the purchase cost. Credit risk is managed by limiting transactions to counterparties with investment-grade ratings or by trading on organized exchanges.

Equity index futures were also used by the District Retirement Funds in order to gain exposure to equity markets in a more efficient and liquid manner than directly investing in all of the underlying equity securities. Equity index futures may pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the equities markets underlying the contracts used by the District Retirement Funds. The notional amounts of the contracts are not included in the derivatives holdings disclosed. Credit risk is managed by dealing with member firms of the futures exchanges.

Exchange-traded and over-the-counter bond futures and options are used by the District Retirement Funds to gain exposure to fixed income markets in a more efficient and liquid manner than by purchasing the underlying bonds. Market risk for these options is limited to purchase cost. Credit risk is managed by limiting transactions to counterparties with investment-grade ratings or by trading with member firms of organized exchanges.

Warrants are used by the District Retirement Funds to gain equity exposure and to enhance performance. Warrants are often distributed by issuers to holdings of common stock and bonds, and are held for the same fundamental reasons as the original common stock and/or bond holdings. Rights are a security that gives the holder the entitlement to purchase new shares issued by a corporation at a predetermined price in proportion to the number of shares already owned. Market risk for warrants and rights is limited to the purchase cost. Credit risk for warrants and rights is similar to the underlying equity and/or bond holdings. All such risks are monitored and managed by the District Retirement Funds' external investment managers who have full discretion over such investment decisions.

Swaps represent an agreement between two or more parties to exchange a sequence of cash flows during a predetermined timeframe. The District Retirement Funds utilize swaps for several different reasons: to manage interest rate fluctuations, to protect against a borrower default, and to gain market exposure without having to actually own the asset. The District Retirement Funds may manage credit exposure through the use of credit default swaps. A credit default swap (CDS) is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party who, in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. One of the main advantages of a CDS is that it allows for exposure to credit risk while limiting exposure to other risks such as interest rate and currency risk.

The District Retirement Funds also hold derivative instruments indirectly by participating in pooled, commingled, or short-term funds that hold derivatives. Information regarding any risks associated with these holdings is not generally available.

NOTE 2. CASH AND INVESTMENTS

Table N8 presents a list of the District Retirement Funds' derivatives aggregated by type as of September 30, 2012.

Table N8 – Retirement Board Derivative Investments Aggregated by Type

	Changes in Fair Value (4)		Fair Value at September 30, 2012		
Type of Derivative	Classification	Amount (1)	Classification	Amount (2)	Notional (3)
Credit Default Swaps Bought	Investment Income	$ (1,736)	Swaps	$ 1,462	$ 39,777
Credit Defaut Swaps Written	Investment Income	(31)	Swaps	716	39,982
Fixed Income Futures Long	Investment Income	1,482	Futures	-	26,800
Fixed Income Futures Short	Investment Income	(1,965)	Futures	-	(16,968)
Fixed Income Options Bought	Investment Income	71	Options	356	19,700
Fixed Income Options Written	Investment Income	1,627	Options	(897)	(70,300)
Foreign Currency Futures Long	Investment Income	(8)	Futures	-	-
Foreign Currency Futures Short	Investment Income	(3)	Futures	-	-
Foreign Currency Options Bought	Investment Income	104	Options	96	6,047
Foreign Currency Options Written	Investment Income	14	Options	-	-
Futures Options Bought	Investment Income	(80)	Options	2	3
Futures Options Written	Investment Income	234	Options	-	-
FX Forwards	Investment Income	792	LT Instruments	(560)	53,614
Pay Fixed Interest Rate Swaps	Investment Income	(2,843)	Swaps	(497)	23,100
Received Fixed Interest Rate Swaps	Investment Income	1,660	Swaps	385	16,455
Rights	Investment Income	(2)	Common Stock	-	-
Warrants	Investment Income	2	Common Stock	-	67
Grand Totals		$ (682)		$ 1,063	$ 138,277

C. SECURITIES LENDING

District statutes and the Retirement Board's policies permit the District Retirement Funds to participate in securities lending transactions by relying on a Securities Lending Authorization Agreement, which authorizes the master custodian to lend the Retirement Board's securities to qualified broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2012, the master custodian, at the direction of the Retirement Board, loaned a portion of the District Retirement Funds' equity and fixed income securities secured by collateral in the form of United States and foreign currency cash, securities issued or guaranteed by the United States government, the sovereign debt of foreign countries and irrevocable bank letters of credit. This collateral could not be pledged or sold unless the borrower defaulted on the loan. Borrowers were required to deliver and maintain collateral for each loan in an amount equal to (i) at least 102% of the market value of the loaned securities in the United States; or (ii) 105% of the market value of the loaned securities in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The Retirement Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool (the Quality D Fund).

Because the Quality D Fund does not meet the requirements of Securities and Exchange Commission Rule 2a-7 of the Investment Company Act of 1940, the master custodian has valued the Fund's investments at fair value for reporting purposes.

NOTE 2. CASH AND INVESTMENTS

The Quality D Fund is not registered with the Securities and Exchange Commission. The master custodian, and consequently the investment vehicles it sponsors (including the Quality D Fund), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Funds' position in the Quality D Fund is not the same as the value of the District Retirement Funds' shares.

There was no involuntary participation in an external investment pool by the Quality D Fund and there was no income from one fund that was assigned to another fund by the master custodian during fiscal year 2012.

During fiscal year 2012, the Retirement Board did not restrict the amount of the loans that the master custodian made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses resulting from a default of the borrowers or the master custodian during 2012.

The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in the Quality D Fund which is comprised of a liquidity pool and a duration pool. As of September 30, 2012, the liquidity pool had an average duration of 45.54 days and an average weighted final maturity of 71.41 days for USD collateral. As of this date, the duration pool had an average duration of 42.22 days and an average weighted final maturity of 1,793.71 days for USD collateral. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

Investments are restricted to issuers with a short-term credit rating not lower than A1/P1, or long-term ratings not lower than A-/A3, or the equivalent thereof. The Quality D Fund may invest in other investment vehicles managed by the master custodian provided they conform to fund guidelines.

On September 30, 2012, the Retirement Board had no credit risk exposure to borrowers.

As of September 30, 2012, the fair value of securities on loan was $95,058. Associated collateral totaling $97,797 was comprised of cash which was invested in the Quality D Fund. As of September 30, 2012, the invested cash collateral had a fair value of $96,652.

During the fiscal year ended September 30, 2012, the market value of the shares in the Quality D Fund purchased with cash collateral by the lending agent was less than the cost, resulting in an unrealized loss of $1,145.

The collateral held is included in cash and investments shown in Table N5a and Exhibit 4-a, and the securities on loan are reported at their carrying amounts also in Table N5a and Exhibit 4-a.

Net security lending income is comprised of three components: gross income, broker rebates, and agent fees. Gross income is equal to earnings on cash collateral received in a security lending transaction. A broker rebate is the cost of using that cash collateral. Agent fees represent the fees paid to the agent for administering the lending program. Net security lending income is equal to gross income less broker rebates and agent fees. Security lending income for fiscal year 2012 was recorded on a cash basis which approximated the accrual basis. For the year ending September 30, 2012, securities lending income was $2,128 and securities lending expense was $570, resulting in net securities lending income of $1,558.

NOTE 3. RESTRICTED ASSETS

At September 30, 2012, restricted assets of the primary government, component units, and fiduciary funds totaled $8,812,406 as summarized in **Table N9**.

Table N9 – Summary of Restricted Assets

	Governmental Funds/Governmental Activities					
	General	Federal & Private Resources	Housing Production Trust Fund	General Capital Improvements	Non-Major	Total
Bond Escrow Accounts	$ 388,255	$ -	$ -	$ -	$ -	$ 388,255
Public Transportation	-	-	-	51,269	55,639	106,908
Emergency Cash Reserves	339,103	-	-	-	-	339,103
Others	-	79,497	67,509	-	219,674	366,680
Total	$ 727,358	$ 79,497	$ 67,509	$ 51,269	$ 275,313	$ 1,200,946

	Proprietary Funds/Business-Type Activities				
	Lottery & Games	Unemployment Compensation	Total	Fiduciary Funds	Component Units
Bond Escrow Accounts	$ -	$ -	$ -	$ -	$ 1,061,631
Unpaid Prizes	16,381	-	16,381	-	-
University Endowment	-	-	-	-	8,250
Benefits	-	309,802	309,802	6,213,692	-
Other	-	-	-	-	1,704
Total	$ 16,381	$ 309,802	$ 326,183	$ 6,213,692	$ 1,071,585

The bond escrow accounts include bond escrow for capital lease payment of $11,375.

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

A. RECEIVABLES

Receivables are valued at their estimated collectible amounts. These receivables are presented in various funds as shown in **Table N10.**

Table N10 – Receivables

	General	Federal & Private Resources	General Capital Improvements	Nonmajor Governmental Funds	Lottery & Games	Unemployment Compensation	Fiduciary Funds
Gross Receivables:							
Taxes	$ 591,415	$ -	$ -	$ 3,626	$ -	$ -	$ -
Accounts and other	386,632	414,179	9,234	28,202	6,282	32,562	12,642
Federal	24	457,905	68,568	-	-	324	1,606
Total gross receivables	978,071	872,084	77,802	31,828	6,282	32,886	14,248
Less-allowance for uncollectibles	363,765	119,875	6,136	-	-	14,874	-
Total net receivables	**$ 614,306**	**$ 752,209**	**$ 71,666**	**$ 31,828**	**$ 6,282**	**$ 18,012**	**$ 14,248**

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

B. INTERFUND TRANSFERS

Table N11 shows a summary of interfund transfers for the fiscal year ended September 30, 2012.

Table N11– Summary of Interfund Transfers

TRANSFER FROM (Out)	TRANSFER TO (In)	PURPOSE	AMOUNT
General Fund	Highway Trust Fund	Motor fuel Taxes dedicated to the Highway Trust Fund	$ 22,778
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - Parking and Storage	16,654
Lottery and Games	General Fund	DC Lottery excess revenues, after operating cost	66,404
General Fund	Capital Improvements Fund	PAYGO - Projects financed by the General Fund	44,089
General Fund	Capital Improvements Fund	PAYGO - Projects financed by the Local Roads Const Maintenance Fund	36,789
Capital Improvements Fund	General Fund	Capital Improvements Fund financing to help address potential budget shortfa	5,196
Tax Increment Financing Fund	General Fund	Tax imposed to pay debt service on economic development projects	3,551
PILOT Special Revenue Fund	Capital Improvements Fund	Funds for DDOT PILOT projects	104,677
Federal and Private Resources Fund	General Fund	Revenues generated from indirect cost recovery	1,478
Baseball Special Revenue Fund	Baseball Debt Service Fund	Funds for baseball debt service payments	31,264
Capital Improvements Fund	General Fund	Community Healthcare financing to help address potential budget shortfall	5,126
Baseball Special Revenue Fund	General Fund	Baseball Fund financing to help address potential budget shortfall	10,636
General Fund	Housing Production Trust Fund	Funds for housing projects and services	1,850
General Fund	Tax Increment Financing Fund	TIF revenues transfer	2,595
		TOTAL INTERFUND TRANSFERS	**$ 353,087**

C. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS

Due to/Due from and interfund receivable and payable balances for each fund and individual component unit at September 30, 2012, are shown in **Table N12**.

Table N12 – Summary of Due To /Due From and Interfund Balances

	Primary Government/ Component Units		Interfund	
Fund or Component Unit	**Receivables**	**Payables**	**Receivables**	**Payables**
General	$ 33,616	$ 13,288	$ 187,901	$ 17,011
Federal & Private Resources	-	634	33,626	128,607
Housing Production Trust	-	-	6,870	-
General Capital Improvements	-	3,905	-	40,983
Nonmajor-Highway Trust	-	-	171	5,141
Nonmajor-Baseball Special Revenue	666	5,000	2,659	10,636
Nonmajor-PILOT Special Revenue	-	-	1,155	-
Nonmajor - Tax Increment Financing	-	-	6,292	-
Unemployment Compensation	-	-	-	34,117
Pension Trust	-	-	-	2,054
Agency	-	-	35	160
Water and Sewer Authority	3,155	1,664	-	-
Washington Convention and Sports Authority	12,611	5,666	-	-
University of the District of Columbia	7,061	26,952	-	-
Total	$ **57,109**	$ **57,109**	$ **238,709**	$ **238,709**

The above balances represent the impact of transactions among the funds and component units which will be settled during fiscal year 2013.

NOTE 5. CAPITAL ASSETS

Capital Outlays

Capital outlays reported in the General Capital Improvements and Highway Trust Funds totaled $1,152,943 during the fiscal year ended September 30, 2012. As construction progresses, capital expenditures which meet the criteria to be capitalized as set forth in Note 1N, are capitalized as Construction in Progress (CIP) in the governmental activities column of the government-wide financial statements. Upon completion of the project, all project costs are transferred from CIP into the appropriate "in-service" depreciable capital asset account.

A. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY CLASS

Table N13 presents the changes in the governmental activities capital assets by class for the primary government:

Table N13 - Changes in the Governmental Activities Capital Assets by Asset Class

Asset Class	Balance October 1, 2011	Additions	Transfers/ Dispositions	Transfers from CIP	Balance September 30, 2012
Non-depreciable:					
Land	$ 919,558	$ -	$ -	$ 16,676	$ 936,234
Construction in progress	1,913,782	879,416	-	(1,583,825)	1,209,373
Total non-depreciable	**2,833,340**	**879,416**	**-**	**(1,567,149)**	**2,145,607**
Depreciable:					
Infrastructure	4,430,688	-	-	385,971	4,816,659
Buildings	5,364,335	104,433	(5,293)	1,051,290	6,514,765
Equipment	1,382,521	15,756	(15,900)	129,888	1,512,265
Total depreciable	**11,177,544**	**120,189**	**(21,193)**	**1,567,149**	**12,843,689**
Less accumulated depreciation for:					
Infrastructure	(1,964,745)	(120,464)	-	-	(2,085,209)
Buildings	(1,252,742)	(138,905)	2,028	-	(1,389,619)
Equipment	(978,085)	(125,861)	14,437	-	(1,089,509)
Total accumulated depreciation	**(4,195,572)**	**(385,230)**	**16,465**	**-**	**(4,564,337)**
Total depreciable, net	**6,981,972**	**(265,041)**	**(4,728)**	**1,567,149**	**8,279,352**
Net governmental activities capital assets	**$ 9,815,312**	**$ 614,375**	**$ (4,728)**	**$ -**	**$ 10,424,959**

NOTE 5. CAPITAL ASSETS

B. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Table N14 presents the changes in the governmental activities capital assets by function for the primary government:

Table N14- Governmental Activities Capital Assets by Function

Function	Balance October 1, 2011	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2012
Governmental direction and support	$ 2,201,712	$ 101,877	$ (122)	$ 62,905	$ 2,366,372
Economic development and regulation	424,415	325	-	89,702	514,442
Public safety and justice	752,998	10,474	(2,981)	53,290	813,781
Public education system	2,568,015	4,581	(12,359)	530,651	3,090,888
Human support services	965,189	2,134	-	418,378	1,385,701
Public works	5,184,773	798	(5,731)	428,899	5,608,739
Construction in progress (CIP)	1,913,782	879,416	-	(1,583,825)	1,209,373
Total	**$ 14,010,884**	**$ 999,605**	**$ (21,193)**	**$ -**	**$ 14,989,296**

C. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS ACCUMULATED DEPRECIATION BY FUNCTION

A summary of changes in governmental activities capital assets depreciation by function for the primary government is shown in **Table N15**.

Table N15 – Governmental Activities Capital Assets Accumulated Depreciation by Function

Function	Balance October 1, 2011	Additions	Transfers/ Dispositions	Balance September 30, 2012
Governmental direction and support	$ 651,143	$ 93,086	$ (142)	$ 744,087
Economic development and regulation	38,964	3,577	-	42,541
Public safety and justice	354,355	34,504	(2,838)	386,021
Public education system	576,342	74,750	(10,488)	640,604
Human support services	331,133	39,651	-	370,784
Public works	2,243,635	139,662	(2,997)	2,380,300
Total	**$ 4,195,572**	**$ 385,230**	**$ (16,465)**	**$ 4,564,337**

NOTE 5. CAPITAL ASSETS

D. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS

Business-Type Activities Capital Assets are presented in **Table N16**.

Table N16 - Business-Type Activities Capital Assets

Asset Class	Balance October 1, 2011	Additions	Dispositions/ Adjustments	Balance September 30, 2012
Lottery:				
Depreciable:				
Equipment	$ 3,461	$ 198	$ -	$ 3,659
Total	**3,461**	**198**	**-**	**3,659**
Total Business-Type	**3,461**	**198**	**-**	**3,659**
Less: accumulated depreciation for:				
Equipment	(2,983)	(196)	-	(3,179)
Total accumulated depreciation	(2,983)	(196)	-	(3,179)
Net capital assets	**$ 478**	**$ 2**	**$ -**	**$ 480**

E. DISCRETELY PRESENTED COMPONENT UNITS CAPITAL ASSETS

A summary of capital assets by class for the discretely presented component units is shown in **Tables N17 and N18**.

Table N17 - Capital Assets by Class for the Discretely Presented Component Units

Asset Class	Balance October 1, 2011	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2012
Non-depreciable:					
Land	$ 20,989	$ -	$ -	$ -	$ 20,989
Artwork	2,741	-	-	-	2,741
Construction in progress	536,277	495,193	-	(168,424)	863,046
Total non-depreciable	**560,007**	**495,193**	**-**	**(168,424)**	**886,776**
Depreciable:					
Utility plant	3,715,914	12,247	(629)	155,598	3,883,130
Buildings and improvements	1,083,432	29,665	-	-	1,113,097
Equipment	236,490	3,911	(568)	12,826	252,659
Total depreciable	**5,035,836**	**45,823**	**(1,197)**	**168,424**	**5,248,886**
Less accumulated depreciation for:					
Utility plant	(919,324)	(63,572)	629	-	(982,267)
Buildings and improvements	(378,194)	(47,365)	-	-	(425,559)
Equipment	(184,979)	(5,718)	568	-	(190,129)
Total accumulated depreciation	**(1,482,497)**	**(116,655)**	**1,197**	**-**	**(1,597,955)**
Total depreciable, net	3,553,339	(70,832)	-	168,424	3,650,931
Net Capital Assets	**$ 4,113,346**	**$ 424,361**	**$ -**	**$ -**	**$ 4,537,707**

NOTE 5. CAPITAL ASSETS

Table N18 - Capital Assets by Component Unit

Component Units	Capital Assets				Accumulated Depreciation				Net Capital Assets	
	Balance October 1, 2011	Additions	Transfers/ Dispositions	Balance September 30, 2012	Balance October 1, 2011	Additions	Transfers/ Dispositions	Balance September 30, 2012	October 1, 2011	September 30, 2012
University of the District of Columbia	$ 228,929	$ 27,195	$ (45)	$ 256,079	$ (131,109)	$ (4,325)	$ 45	$ (135,389)	$ 97,820	$ 120,690
Washington Convention and Sports Authority	951,363	18,341	-	969,704	(299,311)	(31,441)	-	(330,752)	652,052	638,952
Water and Sewer Authority	4,340,919	493,857	(1,152)	4,833,624	(1,041,573)	(74,960)	1,152	(1,115,381)	3,299,346	3,718,243
Housing Finance Agency	5,854	361	-	6,215	(3,350)	(228)	-	(3,578)	2,504	2,637
Not-for-Profit Hospital Corporation	68,778	1,262	-	70,040	(7,154)	(5,701)	-	(12,855)	61,624	57,185
Total	**$ 5,595,843**	**$ 541,016**	**$ (1,197)**	**$ 6,135,662**	**$ (1,482,497)**	**$ (116,655)**	**$ 1,197**	**$ (1,597,955)**	**$ 4,113,346**	**$ 4,537,707**

NOTE 5. CAPITAL ASSETS

F. CONSTRUCTION IN PROGRESS

Construction in progress by function for governmental activities capital assets is shown in **Table N19.**

Table N19 – Construction in Progress by Function

Function and Subfunction	Balance October 1, 2011	Additions	Transfers from CIP/Disposition	Balance September 30, 2012
PRIMARY GOVERNMENT				
Governmental Direction and Support				
Finance	$ 9,689	$ 4,686	$ -	$ 14,375
Legislative	562	692	-	1,254
Administrative	66,865	71,856	(101,111)	37,610
Total	77,116	77,234	(101,111)	53,239
Public Safety and Justice				
Police	133,312	55,339	(6,442)	182,209
Fire	58,228	3,211	(14,830)	46,609
Corrections	-	6,940	(6,940)	-
Total	191,540	65,490	(28,212)	228,818
Economic Development and Regulation				
Community Development	127,459	28,903	(89,702)	66,660
Total	127,459	28,903	(89,702)	66,660
Public Education System				
Schools	303,347	270,961	(485,101)	89,207
Culture	23,800	22,353	(45,137)	1,016
Total	327,147	293,314	(530,238)	90,223
Human Support Services				
Health and Welfare	333,341	18,828	(309,879)	42,290
Human Relations	-	1,347	(1,347)	-
Recreation	118,297	30,724	(105,541)	43,480
Total	451,638	50,899	(416,767)	85,770
Public Works				
Environmental	738,882	363,576	(417,795)	684,663
Total	738,882	363,576	(417,795)	684,663
Totals	$ 1,913,782	$ 879,416	$ (1,583,825)	$ 1,209,373

NOTE 6. CONDUIT DEBT TRANSACTIONS

A. INDUSTRIAL REVENUE BOND PROGRAM

The District has issued, under its Industrial Revenue Bond Program, private activity bonds for which the principal and interest are payable solely from defined revenues of private entities, such as non-profit organizations. The District has no obligation for this debt beyond resources that may have been provided by related leases or loans. Organizations participating in the Industrial Revenue Bond Program are allowed to borrow at the prevailing municipal bond rate. These private activity bonds provide economic incentive to construct, modernize or enhance private entity facilities in the District, thereby supporting the District's economic base. As of September 30, 2012, the aggregate outstanding principal amount for these conduit debt obligations was approximately $5.3 billion.

Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net assets as of September 30, 2012.

B. ENTERPRISE ZONE FACILITY BONDS

Beginning January 1, 1998, businesses located in the District of Columbia Enterprise Zone (D.C. Zone) are eligible to obtain up to $15 million of tax-exempt financing. Similar to Industrial Revenue Bonds, the principal and interest are payable solely from defined revenues of private entities, including non-profit and for-profit organizations. The District has no obligation for this debt beyond resources that may have been provided by related leases or loans. As of September 30, 2012, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was $82 million.

Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net assets as of September 30, 2012.

NOTE 7. SHORT TERM LIABILITIES

TAX REVENUE ANTICIPATION NOTES

The District issued $820,000 in Tax Revenue Anticipation Notes (TRANs) on October 6, 2011. The TRANs are general obligations of the District, secured by the District's full faith and credit, and payable from available revenues, including tax revenues, of the District. The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs in anticipation of the collection or receipt of revenues for an ensuing fiscal year. Operational and other costs are covered by the proceeds from the TRANs until periodic taxes, grants, and other revenues are received. These notes, which were issued as fixed-rate notes with an interest rate of 2.00%, matured on September 28, 2012. The District paid the notes in their entirety by the statutorily required deadline of September 30, 2012.

Table N20- Changes in Short-Term Liabilities

Account	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
Governmental Activities				
Tax Revenue Anticipation Notes	$ -	$ 820,000	$ 820,000	$ -

NOTE 8. LONG –TERM LIABILITIES

LONG-TERM DEBT

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets of governmental activities, business-type activities, and proprietary funds. Long term debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the outstanding principal method. Long-term debt payable is reported separately from the applicable premium or discount. The issuance costs for long term debt are reported as deferred charges.

Governmental funds recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

A summary of the District's outstanding long-term debt totaling $7,909,076 is shown in **Table N21**.

NOTE 8. LONG – TERM LIABILITIES

Table N21 – Changes in Governmental Activities Long Term Debt of the Primary Government

	General Obligation Bonds	QZAB	Income Tax Secured Bonds	Tobacco Bonds	TIF Bonds	Ballpark Bonds	GARVEE	Housing Production Trust	NCRC Revenue Bonds	AWC PILOT Revenue Bonds	CAPPER PILOT BANs	COPs	Total
Debt Payable at September 30, 2011	$ 2,829,598	$ 8,573	$ 3,029,100	$ 690,289	$ 87,484	$ 512,850	$ 82,610	$ 84,335	$ 22,715	$ 90,660	$ 29,000	$ 230,335	$ 7,697,549
Bond and Notes Issued:													
Inc. Tax 2011B	-	-	95,720	-	-	-	-	-	-	-	-	-	**95,720**
Inc. Tax 2011C	-	-	3,415	-	-	-	-	-	-	-	-	-	**3,415**
Inc. Tax 2011D	-	-	29,550	-	-	-	-	-	-	-	-	-	**29,550**
Inc. Tax 2011E	-	-	113,050	-	-	-	-	-	-	-	-	-	**113,050**
Inc. Tax 2011F	-	-	177,300	-	-	-	-	-	-	-	-	-	**177,300**
Inc. Tax 2011G	-	-	223,420	-	-	-	-	-	-	-	-	-	**223,420**
Inc. Tax 2012A	-	-	258,110	-	-	-	-	-	-	-	-	-	**258,110**
Inc. Tax 2012B	-	-	56,000	-	-	-	-	-	-	-	-	-	**56,000**
TIF-2011	-	-	-	-	38,650	-	-	-	-	-	-	-	**38,650**
TIF-2012	-	-	-	-	52,365	-	-	-	-	-	-	-	**52,365**
Bonds and Notes Issued in FY 2012	-	-	**956,565**	-	**91,015**	-	-	-	-	-	-	-	**1,047,580**
Less:													
Debt Payments:													
Principal Paid	63,583	945	90,755	13,070	8,034	4,915	3,835	1,530	7,876	6,575	-	11,400	**212,518**
Principal Defeased	470,790	-	95,265	-	57,480	-	-	-	-	-	-	-	**623,535**
Debt Payable at September 30, 2012	**$ 2,295,225**	**$ 7,628**	**$ 3,799,645**	**$ 677,219**	**$ 112,985**	**$507,935**	**$ 78,775**	**$ 82,805**	**$ 14,839**	**$ 84,085**	**$ 29,000**	**$ 218,935**	**$ 7,909,076**

NOTE 8. LONG-TERM LIABILITIES

A. GENERAL OBLIGATION BONDS

The District's general obligation bonds are authorized and issued primarily to provide funds for certain capital projects and improvements. The general obligation bonds are backed by the full faith and credit of the District. In addition, the bonds are secured by a security interest in and lien on the funds derived from a Special Real Property Tax levied annually by the District on portions of certain real property. These tax revenues have been dedicated for the payment of bond principal and interest. Amounts collected are deposited in banks and held in escrow for payment of bond principal and interest when due.

A summary of debt service requirements to maturity for the District's outstanding general obligation bonds is shown in **Table N22.**

Table N22 - Summary of Debt Service Requirements for General Obligation Bonds

Year Ending September 30	General Obligation Bonds		
	Principal	Interest	Total
2013	$ 50,040	$ 118,841	$ 168,881
2014	49,675	110,492	160,167
2015	89,880	93,767	183,647
2016	119,630	95,996	215,626
2017	105,265	90,408	195,673
2018 - 2022	535,885	377,478	913,363
2023 - 2027	421,965	261,796	683,761
2028 - 2032	416,675	180,328	597,003
2033 - 2037	506,210	68,837	575,047
Total	**$ 2,295,225**	**$ 1,397,943**	**$ 3,693,168**

Qualified Zone Academy Bonds

Since fiscal year 2002, the District has issued Qualified Zone Academy Bonds (QZABs) as taxable general obligation bonds without incurring explicit interest costs. **Table N23** presents a summary of the District's outstanding QZAB at September 30, 2012.

Table N23 – Outstanding Qualified Zone Academy Bonds

Date of Issuance	Terms	Total Sinking Fund Payments at September 30, 2012
	(Dollars in $000s)	
December 21, 2001	Received $4,665 and obligated to deposit a total amount of $3,584 into a sinking fund in 14 equal annual amounts of $256 beginning December 1, 2002	$2,560
December 28, 2005	Received $3,191 and obligated to deposit a total amount of $2,655 into a sinking fund in 15 equal annual amounts of $177 beginning December 1, 2006	$1,062
May 29, 2008	Received $2,360 and obligated to deposit a total amount of $2,360 into a sinking fund in 10 equal annual amounts of $236 beginning December 1, 2008	$944
June 30, 2010	Received $4,140 and obligated to deposit a total amount of $4,140 into a sinking fund in 15 equal annual amounts of $276 beginning December 1, 2010	$552

A summary of debt service requirements to maturity for QZAB is shown in **Table N24.**

Table N24 - Summary of Debt Service Requirements for QZAB

Year Ending September 30	QZAB Principal
2013	$ 945
2014	946
2015	946
2016	946
2017	690
2018-2022	2,326
2023-2027	829
Total	**$ 7,628**

NOTE 8. LONG – TERM LIABILITIES

B. INCOME TAX SECURED REVENUE BONDS

Under the authority granted by the Income Tax Secured Bond Authorization Act of 2008 (the Act) (D.C. Official Code §47-340.26 – 47-340.36), the District's Income Tax Secured Revenue Bonds are issued to fund Council-approved District capital projects and to refund outstanding debt, as an alternative to the issuance of general obligation bonds. Bonds, as defined in the Act, include the initial series of Income Tax Secured Bonds and additional bonds, notes, or other obligations, in one or more series, and authorized subordinated bonds. In October 2008, the District established the Income Tax Secured Revenue Bond Escrow Fund that is maintained within the General Fund. The Income Tax Secured Bonds issued pursuant to the Act are special obligations of the District payable solely from the specific tax revenues deposited and held in the Fund.

Pursuant to the Act, amounts deposited in the Escrow Fund and all investment earnings on these funds are irrevocably dedicated and pledged to the payment of the principal of, and interest on, all outstanding Income Tax Secured Revenue Bonds and related costs (i.e., costs of the collection agent and trustee and debt service). All income tax and business franchise tax revenues are deposited into the Escrow Account by the Fund's fiduciary before receipt by the District. Beginning on April 1 in each year, the District holds all receipts in the Escrow Fund until the amount held equals one-third of all principal and interest payments on all outstanding Income Tax Secured Revenue Bonds which will be due in the next fiscal year. Amounts held in escrow are released to the District only after the one-third amount is reached. That process is repeated on May 1 and June 1 until the amounts in the Escrow Fund equal 100% of the next year's required debt service on all Income Tax Secured Revenue Bonds.

Series 2011B-C-D-E

In November 2011, the District issued $95,720 in Income Tax Secured Revenue Refunding Bonds, Series 2011B (Adjusted SIFMA Rate); $3,415 in Income Tax Secured Revenue Refunding Bonds, Series 2011C (Adjusted SIFMA Rate); $29,550 in Income Tax Secured Revenue Refunding Bonds, Series 2011D (Adjusted SIFMA Rate); and $113,050 in Income Tax Secured Revenue Refunding Bonds, Series 2011E (Adjusted SIFMA Rate) (together, $241,735 in Income Tax Secured Revenue Refunding Bonds, Series 2011B-C-D-E Bonds).

The proceeds of the Series 2011B Bonds were used, together with certain other funds of the District, to currently refund $63,335 of the outstanding principal amount of the District's Income Tax Secured Revenue Refunding Bonds, Series 2010C (Adjusted SIFMA Rate) and $31,930 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2010E (Adjusted SIFMA Rate) that matured on December 1, 2011, and pay the costs and expenses of issuing and delivering the Series 2011B Bonds. The proceeds of the Series 2011C Bonds, Series 2011D Bonds and Series 2011E Bonds were used, together with certain other funds of the District, to advance refund to the earliest call date the District's General Obligation Bonds, Series 2003A, principal amount of $110,290, maturing on June 1 in the years 2015 and 2023 through 2027, inclusive, and the District's General Obligation Bonds, Series 2003B, principal amount of $25,545, maturing on June 1 in the years 2015 and 2019 and pay the costs and expenses of issuing and delivering the Series 2011C Bonds, Series 2011D Bonds and Series 2011E Bonds.

Series 2011F-G Bonds

In December 2011, the District issued $177,300 in Income Tax Secured Revenue Bonds, Series 2011F (Negotiated) and $223,420 in Income Tax Secured Revenue Bonds, Series 2011G (Competitive) (together, the Series 2011F-G Bonds) as senior bonds. The issuance of the Series F-G Bonds was subject to the Council's adoption of the Fiscal Year 2012 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Approval Resolution of 2011, which occurred in December 2011.

The proceeds of the Series 2011F-G Bonds were used to: (i) pay and/or reimburse the District for costs of capital projects and (ii) pay the costs and expenses of issuing and delivering the Series 2011F-G Bonds.

Series 2012A-B Bonds

In May 2012, the District issued $258,110 in Income Tax Secured Revenue Refunding Bonds, Series 2012A and $56,000 in Income Tax Secured Revenue Bonds, Series 2012B (together, the Series 2012 A-B Bonds) as senior bonds. The issuance of the Series A-B Bonds was also subject to the Council's adoption of the Fiscal Year 2012 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Approval Resolution of 2011, which occurred in December 2011.

The proceeds of the Series 2012A-B Bonds, together with other funds of the District, were used to: current or advance refund, as applicable, a portion of the District's outstanding General Obligation Bonds, including Series 2002C, principal amount of $14,025; Series 2004A, principal amount of $140,090; and Series 2005A, principal amount of $180,840, pay the costs and expenses of issuing and delivering the Series 2012A-B Bonds.

NOTE 8. LONG-TERM LIABILITIES

A summary of the debt service requirements to maturity for principal and interest for the District's Income Tax Secured Revenue Bonds is shown in **Table N25.**

Table N25 – Summary of Debt Service Requirements for Income Tax Secured Revenue Bonds

Year Ending	INCOME TAX SECURED REVENUE BONDS		
September 30	Principal	Interest	Total
2013	$ 117,740	$ 177,864	$ 295,604
2014	131,245	172,287	303,532
2015	103,620	167,791	271,411
2016	69,840	167,948	237,788
2017	84,120	164,624	248,744
2018 - 2022	707,145	736,759	1,443,904
2023 - 2027	1,123,010	525,513	1,648,523
2028 - 2032	956,155	250,018	1,206,173
2033 - 2037	506,770	52,639	559,409
Total	$ 3,799,645	$ 2,415,443	$ 6,215,088

Pledged Tax Revenues for Debt Service on Income Tax Secured Revenue Bonds

During fiscal year 2012, the District collected $1,956,590 in Income and Business Franchise Taxes. Of this amount, $298,367, or 15.2%, was held in the Fund for the payment of debt service on outstanding Income Tax Secured Revenue Bonds in fiscal year 2013. The anticipated debt service amount for fiscal year 2013 is $295,604. Therefore, total available tax revenues collected and set aside in the Fund in fiscal year 2012 covers the total amount of anticipated debt service for fiscal year 2013 as presented below:

Available Tax Revenues Collected in FY 2012					
Individual Income	Business Franchise	Total	Amount Held in Escrow for FY 2013 Debt Service	FY 2013 Debt Service Amount	Rate of Coverage
			(a)	(b)	(c) = (a)/(b)
$1,490,694	$465,896	$1,956,590	$298,367	$295,604	100.9%

In fiscal year 2012, debt service on the Income Tax Secured Revenue Bonds totaled $224,845. The debt service coverage ratio was 8.70 to 1: Total available taxes of $1,956,590, divided by FY 2012 debt service of $234,224..

Interest Rates on General Obligation Bonds and Income Tax Secured Revenue Bonds

The weighted average interest rate on the District's outstanding fixed-rate bonds was 5.023% in fiscal year 2012. The weighted average interest rate on the District's variable rate bonds for fiscal year 2012 is 0.335%.

C. TOBACCO BONDS

In November 1998, the District (along with a number of states and various jurisdictions) signed a Master Settlement Agreement (MSA) with the major U.S. tobacco companies that ended litigation over healthcare treatment costs incurred for smoking-related illnesses. Under the settlement, the District is scheduled to receive total annual payments aggregating an estimated $1.2 billion by 2025. There are a number of potential adjustments to this schedule, including an inflation adjustment and a cigarette volume adjustment. In addition, there are numerous risks regarding whether the District will receive the full amount to which it is entitled under the terms of the Master Settlement Agreement, including various lawsuits outside the District alleging that the Master Settlement Agreement is void or voidable.

In 2001, the Tobacco Corporation issued its Tobacco Settlement Asset-Backed Bonds, Series 2001, the principal amount of which was $521,105. As of September 30, 2012, $428,955 remained outstanding.

In 2006, the Tobacco Corporation issued its Tobacco Settlement Asset-Backed Bonds, Series 2006, the principal amount of which was $248,264. Bond proceeds were used to pay: (i) the cash portion of the purchase price for the Residual Tobacco Assets; and (ii) certain costs of issuance related to the Series 2006 Bonds. The payment of these bonds is secured by the District's distribution under the November 1998 Master Settlement Agreement (MSA). As such, the Series 2006 Bonds are secured and payable solely from: (i) the residual annual and strategic contribution fund payments (TSRs) and all future aid, rents, fees, charges, payments, investment earnings and other income and receipts with respect to the pledged TSRs; (ii) all rights to receive revenues and proceeds from the TSRs; (iii) all accounts established under the indenture and the related assets; and (iv) subject to certain limitations, all rights and interest of the Tobacco Corporation under the purchase agreement. Pursuant to the District of Columbia Tobacco Settlement Financing Act of 2000, and a Purchase and Sale Agreement dated August 1, 2006, the District's Tobacco Settlement Trust Fund sold all of its rights, title, and interest in certain residual tobacco assets paid or payable to the District on or after April 1, 2015. Approximately 25% of the anticipated $1.2 billion in total annual payments to be received by the District was pledged as security for these bonds. The Tobacco Bonds are neither general nor moral obligations of the District and are not secured by a pledge of the full faith and credit of the District. Because no payment was made in 2012, the amount outstanding as of September 30, 2012, was $248,264. Payments received by the Tobacco Corporation under the MSA in excess of the annual debt

NOTE 8. LONG – TERM LIABILITIES

service requirements for the Tobacco Bonds may revert to the General Fund.

As of September 30, 2012, the total outstanding balance for all Tobacco Bonds as shown in **Table N26** was $677,219.

Table N26 - Summary of Debt Service Requirements for Tobacco Bonds

Year Ending September 30	Tobacco Bonds Principal	Interest	Total
2013	$ 29,760	$ 28,103	$ 57,863
2014	19,060	26,279	45,339
2015	18,980	25,119	44,099
2016	20,765	23,933	44,698
2017	22,740	22,594	45,334
2018 - 2022	139,180	88,789	227,969
2023 - 2027	178,470	34,815	213,285
2043 - 2047	159,733	1,697,592	1,857,325
2053 - 2057	88,531	2,478,469	2,567,000
Total	**$ 677,219**	**$ 4,425,693**	**$ 5,102,912**

D. TAX INCREMENT FINANCING (TIF)

The Tax Increment Financing (TIF) Notes and Bonds are special limited obligations of the District. TIF is an economic development tool used to facilitate the financing of business investment activities within a locality.

TIF Notes

The sole source of repayment of many of the TIF Notes is the incremental sales and/or real property tax revenues from the Project, and the District has no obligation to make any payments on the TIF Notes other than through the remittance of the incremental revenues to the Paying Agent. TIF Notes are not obligations of the District. For this reason, TIF Notes are not included in **Table N21** as long-term debt of the District.

Fort Lincoln Retail Project

In November 2011, the District issued the Fort Lincoln Retail Project TIF Notes, in the total amount of $10,000. The TIF Notes remain in escrow pending the completion of Phase I and Phase II of the retail project. The Notes are to be repaid from project incremental sales and property tax revenues. If such revenues are insufficient to pay the principal and interest due on the notes when payable, the payment shortfall will not constitute a default. If the incremental revenues are sufficient, the District will pay the principal and interest due, and the amount of previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

Downtown Retail Priority Area: Zara, National Crime and Punishment Museum, Madame Tussauds, Forever 21, and Clyde's

Since March 2006, the Mayor has executed several TIF Notes under the Downtown Retail Priority Area Program. **Table N27** presents a summary of the original loan amounts of the Downtown Retail Priority Area TIF Notes.

Table N27 – Downtown Retail Priority Area TIF Notes

Issuance Date	Description	Dollar Value/ Amount (in $000s)	Terms/Other Comments
May 2008	Zara TIF Note	$1,750	Matures on June 1, 2018 or upon payment in full; Interest Rate: 5.50%
September 2008	National Crime and Punishment Museum TIF Note	$3,000	Matures on October 1, 2018; Interest Rate: 5.50%
December 2008	Madame Tussauds TIF Note	$1,300	Matures on December 1, 2018; Interest Rate: 4.50%
February 2011	Forever 21 TIF Note	$4,985	Matures on February 1, 2021; Interest Rate: 6.00%
May 2011	Clyde's TIF Note	$4,472	Matures on December 1, 2021; Interest Rate: 5.50%

The Downtown Retail Priority Area TIF Notes are pledges of incremental sales tax revenues only. If the incremental revenues are insufficient to pay the principal and interest due on the TIF Notes when due, the payment shortfall will not constitute a default. If the incremental revenues are sufficient, the District will pay the principal and interest due, and the amount of any previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

Capitol Hill Towers

On December 20, 2006, the District released the $10,000 TIF Note of the Capitol Hill Towers from escrow. The note matures on January 1, 2029, with an interest rate of 7.50% compounded semiannually on unpaid principal.

Verizon Center

In December 2007, the District issued $50,000 in taxable financing notes to finance upgrades at the Verizon Center. The 2007A Note was issued in the amount of $43,570 at a fixed interest rate of 6.734% and matures on August 15, 2047. The 2007B note was issued in the amount of $6,430

NOTE 8. LONG-TERM LIABILITIES

at a fixed interest rate of 6.584% with a maturity date of August 15, 2027. These notes are a special limited obligation of the District and are secured by a portion of the taxes on certain on-site personal property, services and public ticket sales at the Verizon Center. In the event such taxes are not sufficient, the notes are further secured by incremental tax revenues from the Downtown TIF Area, which are subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance the Mandarin Oriental Hotel.

Waterfront Arts Project

The Waterfront Arts Project TIF Note was issued in May 2009 for $10,000 to help finance the expansion of the Arena Stage. The TIF Note is to be paid in a lump sum on May 8, 2014, from available incremental revenues from the Downtown TIF Area. The interest rate on this Note is 4.66%

Great Streets Retail Priority Areas

In September 2009, the Mayor executed the first Great Streets TIF, the Georgia Avenue Retail Project Great Streets TIF Note in the amount of approximately $1,935. The interest rate on the Note is 5.00%. The Note, which is to be repaid from project incremental sales and property tax revenues, has a maturity date of June 1, 2035. If the incremental revenues are insufficient to pay the principal and interest due on the note when payable, the payment shortfall will not constitute a default. If the incremental revenues are sufficient, the District will pay the principal and interest due, and the amount of any previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

In May 2011, the Mayor executed the Howard Theatre Project Note in the amount of $4,000. The interest rate on the Note is 6.50%, and the note has a maturity date of May 26, 2021. The note is secured by incremental real property and incremental sales taxes from the Howard Theatre TIF Area. In the event such taxes are not sufficient, the note is further secured by incremental tax revenues from the Downtown TIF area (subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance the Mandarin Oriental Hotel).

TIF Bonds

The District also uses the issuance of TIF Bonds as an economic development financing tool. Unlike the transactions associated with TIF Notes, the District receives cash consideration for TIF Bonds when issued. For this reason, TIF Bonds are reported as long-term liabilities of the District and are included in **Table N21**.

Gallery Place Project Series 2012

In June 2012, the District issued Tax Increment Revenue Refunding Bonds (Gallery Place Project, Series 2012) in the amount of $52,365. These bonds were issued pursuant to: (1) the District of Columbia Home Rule Act, approved December 24, 1973, as amended (P.L. 93-198; 87 Stat. 774; D.C. Official Code, §§ 1-201.01 et seq.); (2) the "Tax Increment Financing Authorization Act of 1998" and the acts amendatory and supplemental thereto, (3)the Gallery Place Resolutions, and (4) the Indenture of Trust between the District of Columbia and U.S. Bank National Association, as trustee, dated June 1, 2012.

The proceeds of the Series 2012 Bonds were used to: (1) current refund, on July 1, 2012, the District of Columbia Gallery Place Project Tax Increment Revenue Bonds, Series 2002, and (2) pay the costs and expenses of issuing and delivering the Series 2012 Bonds.

The Series 2012 Bonds are special obligations of the District, secured by a lien on and pledge of: (1) the available tax increment, which means, collectively, 100% of the real property tax increment and 100% of the sales tax increment attributable to the Gallery Place Project TIF Area, and (2) the monies and investments on deposit in certain funds and accounts established under the Indenture. To the extent the available tax increment (from the Gallery Place project) is insufficient to pay principal and interest when due on the Series 2012 Bonds, the District will allocate incremental tax revenues from the Downtown TIF Area to such payment. Such allocation of Downtown TIF revenues is subordinate to the pledge to secure the Mandarin Oriental Bonds, and on parity with the pledge to secure bonds issued to finance other projects, both within and outside the Downtown TIF Area.

The Series 2012 Bonds were issued with interest rates ranging from 3.00% to 5.00% with yields ranging from 0.75% to 3.96%.

City Market at O Street

In November 2011, the District issued the City Market at O Street TIF Bonds in the amount of $38,650. The bonds are secured by the incremental real property and incremental sales taxes to be generated from the City Market at O Street mixed-use project. In the event that such taxes are not sufficient, the bonds are further secured by incremental tax revenues from the Downtown TIF Area. Such allocation of Downtown TIF revenues is subordinate to the pledge to secure the Mandarin Oriental Bonds, and on parity with the pledge to secure bonds issued to finance other projects, both within and outside the Downtown TIF Area.

NOTE 8. LONG – TERM LIABILITIES

Mandarin Oriental Hotel

In 2002, the District promised to pay an aggregate principal amount of $45,995 to the Mandarin Hotel Development Sponsor. The District issued Tax Increment Financing (TIF) Bonds pursuant to the District of Columbia Tax Increment Financing Authorization Act of 1998, as amended, and the Trust Indenture dated as of April 1, 2002. These included the Gallery Place TIF Bond, which matures on July 1, 2031, and the Mandarin Oriental TIF Bond, which matures on July 1, 2022. At issuance, interest rate yields on the Mandarin Hotel TIF Bonds ranged from 4.26% to 5.48%. The bonds are secured by the incremental real property and incremental sales taxes generated from the Mandarin Hotel project. In the event such taxes are not sufficient, the bonds are further secured by incremental tax revenues from the Downtown TIF Area.

Tables N28 through N30 show the summary of debt service requirements for *Gallery Place, City Market at O Street* and *Mandarin Oriental Hotel.*

Table N28 - Summary of Debt Service Requirements for Gallery Place Refunding TIF Bond

Year Ending September 30	Gallery Place		
	Principal	Interest	Total
2013	$ 1,910	$ 2,402	$ 4,312
2014	1,825	2,486	4,311
2015	1,900	2,413	4,313
2016	1,975	2,337	4,312
2017	2,075	2,238	4,313
2018-2022	12,035	9,525	21,560
2023-2027	15,360	6,200	21,560
2028-2032	15,285	1,957	17,242
Total	**$ 52,365**	**$ 29,558**	**$ 81,923**

Table N29 – Summary of Debt Service Requirements for City Market at O Street

Year Ending September 30	City Market at O Street		
	Principal	Interest	Total
2013	$ -	$ 1,877	$ 1,877
2014	-	1,877	1,877
2015	-	1,877	1,877
2016	220	1,877	2,097
2017	300	1,871	2,171
2018-2022	2,700	9,158	11,858
2023-2027	6,115	8,308	14,423
2028-2032	8,265	6,620	14,885
2033-2037	10,530	4,353	14,883
2038-2041	10,520	1,382	11,902
Total	**$ 38,650**	**$ 39,200**	**$ 77,850**

Table N30 - Summary of Debt Service Requirements for Mandarin Oriental Hotel TIF Bond

Year Ending September 30	Mandarin Oriental Hotel		
	Principal	Interest	Total
2013	$ 2,292	$ 2,217	$ 4,509
2014	2,148	2,356	4,504
2015	2,014	2,495	4,509
2016	1,878	2,626	4,504
2017	1,761	2,744	4,505
2018-2022	11,877	10,655	22,532
Total	**$ 21,970**	**$ 23,093**	**$ 45,063**

E. OTHER REVENUE BONDS

Ballpark Revenue Bonds

On May 15, 2006, the District issued Ballpark Revenue Bonds in the principal amount of $534,800. This offering includes the issuance of Taxable Series 2006A-1 bonds in the principal amount of $78,425 and the issuance of Taxable Series 2006A-2 bonds in the principal amount of $76,410 (the Series 2006A-1 Bonds together with the Series 2006A-2 bonds, constitute the Series 2006A Bonds).

This offering also includes the issuance of Series 2006B-1 in the principal amount of $354,965 and Series 2006B-2 (Initially Auction Rate Securities) in the principal amount of $25,000 (the Series 2006B-1 Bonds together with the Series 2006B-2 Bonds, constitute the Series 2006B Bonds). Series 2006B is tax-exempt.

NOTE 8. LONG-TERM LIABILITIES

The weighted average interest rate yield on the fixed-rate bonds (2006A and 2006B-1) is 5.33%. The interest rate yield on the 2006B-2 bonds is variable.

The proceeds of the Series 2006 Ballpark Revenue Bonds were used to finance a portion of the cost of construction of the District's baseball stadium.

Table N31 shows the summary of debt service requirements to maturity for principal and interest for the Ballpark Revenue Bonds. It assumes an interest rate of 4.89% for the Series 2006B-2 Bonds.

Table N31 - Summary of Debt Service Requirements for Ballpark Revenue Bonds

Year Ending	Ballpark Bonds		
September 30	Principal	Interest	Total
2013	$ 5,680	$ 26,204	$ 31,884
2014	6,835	25,899	32,734
2015	7,685	25,531	33,216
2016	8,550	25,418	33,968
2017	9,525	24,952	34,477
2018-2022	64,040	115,943	179,983
2023-2027	98,690	94,991	193,681
2028-2032	145,730	63,041	208,771
2033-2036	161,200	17,641	178,841
Total	**$ 507,935**	**$ 419,620**	**$ 927,555**

Federal Highway Bonds (GARVEE)

On February 14, 2011, the District issued $82,610 in Federal Highway Grant Anticipation Revenue Bonds, Series 2011. The Series 2011 Bonds were issued under and secured by the Master Trust Indenture, as supplemented by the First Supplemental Trust Indenture and together with the Master Trust Indenture, each dated as of February 1, 2011 and by and between the District and U.S. Bank, N.A., as trustee. The Series 2011 Bonds is the first series issued under the Master Trust Indenture and will be secured on a parity with any additional bonds issued by the District under the Master Trust Indenture.

The issuance of the Series 2011 Bonds was authorized pursuant to the Transportation Infrastructure Improvements Grant Anticipation Revenue Vehicles (GARVEE) Bond Financing Act of 2009, effective September 23, 2009 to finance the 11th Street Bridge Project (Phase I) (the Project) which meets the eligibility requirements of the Federal Highway Administration as a Federal Project.

The proceeds of the Series 2011 Bonds were used to: (a) provide funds to finance a portion of the Project; (b) pay certain costs of issuing the Series 2011 Bonds; and (c) fund the Senior Lien Bonds Debt Service Reserve Subaccount.

The Series 2011 Bonds are special obligations of the District, payable solely from the pledged revenues specifically pledged to the payment thereof and other amounts specifically pledged under the Trust Indenture. The Series 2011 Bonds are without recourse to the District, are not a pledge of, and do not involve, the full faith and credit, or the taxing power of the District. The Bonds do not constitute a debt of the District, and do not constitute lending of public credit for private undertakings as prohibited in the Home Rule Act. The Bonds are payable from the pledged revenues, and shall be a valid claim of the respective owners thereof only against the Trust Estate, which is pledged, assigned, and otherwise secured for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Master Indenture.

The Series 2011 Bonds were issued with interest rates ranging from 2.00% to 5.25%.

A summary of the debt service requirements to maturity for principal and interest for the Federal Highway Grant Anticipation Revenue Bonds, Series 2011, is shown in **Table N32.**

Table N32 - Summary of Debt Service Requirements for Federal Highway Grant Anticipation Bonds

Year Ending	Federal Highway Grant Anticipation Revenue Bonds		
September 30	Principal	Interest	Total
2013	$ 4,140	$ 3,640	$ 7,780
2014	4,330	3,449	7,779
2015	4,525	3,253	7,778
2016	4,710	3,068	7,778
2017	4,900	2,883	7,783
2018-2022	28,095	10,804	38,899
2023-2027	28,075	3,045	31,120
Total	**$ 78,775**	**$ 30,142**	**$ 108,917**

NOTE 8. LONG – TERM LIABILITIES

Housing Production Trust Fund Program

On March 16, 1989, the Council enacted the Housing Production Trust Fund Act of 1988, D.C. Law 7-202, which was subsequently amended on May 7, 2003, with administration authority for the Trust Fund vested in the D.C. Department of Housing and Community Development (DHCD). The purpose of the Trust Fund is to provide financial assistance to non-profit and for-profit developers for the planning and production of low, very low, and extremely low income housing and related facilities. In fiscal year 2007, budget authority was established for $150 million for the New Communities Projects (which the District planned to finance with bond proceeds). To pay the debt service on these bonds, the Council authorized up to $16 million annually to be transferred from the allocated fund of the Housing Production Trust Fund (HPTF), which was funded by dedicated revenue from deed recordation and transfer taxes. The District issued approximately $34.1 million of revenue bonds in 2007 for a major investment in the "Northwest One New Communities Project Area." The bonds were issued with an average interest rate of 4.82%.

On August 24, 2010, the District issued $23,190 in Deed Tax Revenue Bonds, Series 2010A; $26,540 in Deed Tax Revenue Bonds, Series 2010B; and $3,460 in Taxable Deed Tax Revenue Bonds, Series 2010C. These bonds were issued pursuant to: (a) the amended and restated Indenture of Trust dated August 1, 2010; and (b) the First Supplemental Indenture of Trust, dated August 1, 2010, each by and between the District and the Bank of New York Mellon (formerly known as the Bank of New York), as trustee.

The 2010 Bonds were issued to: (a) finance, refinance, and reimburse a portion of the costs of undertakings by the District to accomplish the New Communities Initiative, including the New Communities Projects; (b) satisfy, together with funds on deposit under the indenture, the debt service reserve account requirement; and (c) pay costs of issuance of the Series 2010 Bonds.

The Series 2010 Bonds are payable from and are secured by a pledge of the Trust Estate, which includes the pledged revenues. Pledged revenues include the amounts of the Allocated Fund that are received by the trustee under the indenture. The Series 2010A Bonds were issued with an interest rate of 5.00% and the series 2010B bonds were issued with interest rates ranging between 4.00% and 5.00%. The Series 2010C Bonds were issued with an interest rate of 3.39%.

The District intends to issue additional HPTF revenue bonds in future years to fund other New Communities projects.

Table N33 details the annual funding requirements necessary to repay the outstanding bonds.

Table N33 - Summary of Debt Service Requirements for Housing Production Trust Fund Revenue Bonds

Year Ending September 30	Housing Production Trust		
	Principal	Interest	Total
2013	$ 1,585	$ 3,988	$ 5,573
2014	1,650	3,924	5,574
2015	1,720	3,857	5,577
2016	1,805	3,771	5,576
2017	1,895	3,681	5,576
2018-2022	10,955	16,924	27,879
2023-2027	13,895	13,969	27,864
2028-2032	17,655	10,223	27,878
2033-2037	22,305	5,563	27,868
2038-2042	9,340	949	10,289
Total	**$ 82,805**	**$ 66,849**	**$ 149,654**

National Capital Revitalization Corporation Revenue Bonds

On February 15, 2006, the National Capital Revitalization Corporation (NCRC) issued revenue bonds in the amount of $46,900 which currently have a variable interest rate based on 70% of LIBOR plus 1.50%. The bonds are due and payable on February 1, 2024. Under the bond indenture, minimum required debt service payments were calculated based on a 25-year amortization schedule. The repayment of the bonds comes from two sources: 1) a $42,000 District TIF Note supported by taxes generated from the DC USA retail project; and 2) the net cash flow generated from the attached District-owned parking garage. During fiscal year 2012, in addition to mandatory sinking fund payments, the District paid $6,785 of bond redemptions.

The bonds were issued to finance the development and acquisition of a 1,000-space underground parking garage attached to the DC USA retail project. Included in the bond issue is $39,300 cost of acquisition of the garage and $5,850 in capitalized interest. Effective October 1, 2007, NCRC was abolished and its assets and liabilities were assumed by the District.

A summary of the debt service requirements to maturity for principal and interest for the NCRC revenue bonds is shown in **Table N34** and has been calculated, for illustration purposes, with a 2.55% interest rate through fiscal year 2015 and 3.6% thereafter.

NOTE 8. LONG-TERM LIABILITIES

Table N34 - National Capital Revitalization Corporation Revenue Bonds Debt Service Requirements to Maturity

Year Ending September 30	National Capital Revitalization Corporation Principal	Interest	Total
2013	$ 2,982	$ 304	$ 3,286
2014	1,205	288	1,493
2015	1,267	257	1,524
2016	1,332	316	1,648
2017	1,400	267	1,667
2018-2022	6,653	526	7,179
Total	**$ 14,839**	**$ 1,958**	**$ 16,797**

PILOT Revenue Bonds and Notes

The District uses payment in lieu of taxes financing to reimburse developers for certain development costs associated with projects to be constructed on real property located in the District.

PILOT Revenue Bonds

Anacostia Waterfront Corporation PILOT Revenue Bonds (Anacostia DOT Waterfront Projects)

In September 2007, the Anacostia Waterfront Corporation (AWC) issued $111.55 million of PILOT Revenue Bonds (the AWC Bonds) with a 4.463% interest rate. The bonds were issued to finance, refinance, and reimburse the AWC for development costs associated with park and infrastructure projects along the Anacostia River Waterfront. The AWC was a discretely presented component unit of the District at the time of issuance of the AWC bonds. However, effective October 1, 2007, the District dissolved the AWC and assumed its assets and obligations, including the payment of the AWC bonds.

A summary of the debt service requirements to maturity for principal and interest for the AWC PILOT Revenue Bonds is shown in **Table N35.**

Table N35 - Anacostia Waterfront Corporation PILOT Revenue Bonds Debt Service Requirements to Maturity

Year Ending September 30	Anacostia Waterfront Corporation Principal	Interest	Total
2013	$ 6,875	$ 3,678	$ 10,553
2014	7,180	3,368	10,548
2015	7,510	3,044	10,554
2016	7,845	2,705	10,550
2017	8,200	2,350	10,550
2018-2022	46,475	5,752	52,227
Total	**$ 84,085**	**$ 20,897**	**$ 104,982**

Capper PILOT Revenue Bond Anticipation Notes

On March 22, 2010, the District issued $29,000 in PILOT Revenue Bond Anticipation Notes (Arthur Capper/ Carrollsburg Public Improvements Issue), Series 2010. These notes were issued pursuant to the Capper PILOT Act and the Master Indenture of Trust, dated March 1, 2010, between the District of Columbia, and U.S. Bank National Association, as trustee, as supplemented by the first supplement to the master indenture of trust, dated March 1, 2010. Proceeds from the issuance of these notes were used to: (a) refinance certain outstanding indebtedness of the District of Columbia Housing Authority (DCHA) and reimburse DCHA for amounts expended, to construct certain Capper/Carrollsburg public improvements; (b) provide funding for the construction of additional Capper/Carrollsburg public improvements; and (c) pay costs of issuance of the notes.

The notes are special obligations of the District, secured by a lien on and pledge of, and payable from the trust estate pledged pursuant to the indenture, including: (a) the pledged PILOT payments within the Capper/Carrollsburg PILOT Area; (b) incremental tax revenues from the Downtown TIF Area (subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance Gallery Place and the Mandarin Oriental Hotel) to the extent the pledged pilot payments are insufficient to pay principal and interest when due on the notes; and (c) monies and investments on deposit in the funds and accounts established under the indenture.

These notes were issued with an interest rate of 4.00% and will mature on December 1, 2012.

A summary of the debt service requirements to maturity for principal and interest for the Capper PILOT Revenue Bond Anticipation Notes is shown in **Table N36.**

NOTE 8. LONG – TERM LIABILITIES

Table N36 - Capper PILOT Revenue Bond Anticipation Notes Debt Service Requirements to Maturity

Year Ending September 30	Capper PILOT Revenue Bond Anticipation Notes		
	Principal	Interest	Total
2013	$ 29,000	$ 580	$ 29,580
Total	**$ 29,000**	**$ 580**	**$ 29,580**

PILOT Revenue Notes

PILOT Revenue Notes are special obligations of the District and are non-recourse to the District. Such notes are not a pledge of, and do not involve the faith and credit or the taxing power of the District. Accordingly, PILOT Revenue Notes are not obligations of the District. For this reason, PILOT Revenue Notes are not included in **Table N21** as long-term debt of the District.

Table N37 presents a summary of the outstanding PILOT Revenue Notes at September 30, 2012.

Table N37 – PILOT Revenue Notes

Issuance Date	Description	Dollar Value Amount (in $000s)	Terms/Other Comments
August 2011	PILOT Revenue Note Rhode Island Metro Plaza Project, Series 2010	$ 7,200	Matures on September 30, 2032; Interest Rate: 5.78%
August 2010	PILOT Revenue Note Foundry Lofts Project Series 2010	$ 5,660	Matures on January 1, 2038; Interest Rate: 5.16% per annum

Rhode Island PILOT Note

In August 2011, the Mayor executed a revised PILOT Revenue Note for the Rhode Island Metro Plaza Project, in the amount of $7,200. The note is currently in escrow pending completion of construction and satisfaction of certain other related requirements. Upon its release from escrow, the note will bear interest at a rate of 5.78% and will mature on September 30, 2032. The note is to be repaid from: (1) PILOT revenues from the Rhode Island PILOT Area; and (2) incremental tax revenues from the Downtown TIF Area (subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance the Mandarin Oriental Hotel) to the extent such payments are insufficient to pay principal and interest due through September 30, 2013. If such revenues are insufficient to pay the principal and interest due on the note when payable, the payment shortfall will not constitute a default.

Southeast Federal Center PILOT Program (Foundry Lofts Project)

In August 2010, the Mayor executed the first PILOT note under the Southeast Federal Center PILOT Program, for the Foundry Lofts Project. The note, in the amount of $5,660, bears interest at 5.16% and will mature on January 1, 2038. The note is to be repaid from PILOT revenues from the project. If such PILOT revenues are insufficient to pay the principal and interest on the note when due, the payment shortfall will not constitute a default. However, if the PILOT revenues are sufficient to pay the principal and interest on the note when due, the District must pay the amount of any previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

F. REFUNDINGS AND BOND DEFEASANCES

Current and Advance Refunding

The District used the proceeds of its Series 2011B Income Tax Secured Revenue Refunding Bonds (Adjusted SIFMA Rate) to currently refund $95,265 of the District's Series 2010C and 2010E Income Tax Secured Revenue Bonds (Adjusted SIFMA Rate) on November 30, 2011. The District completed the refunding to maintain the planned amortization schedule of the Series 2010C and 2010E Bonds by extending the stated maturities to December 1, 2013, and December 1, 2015. The result of the current refunding, refinancing one variable-rate issue with another to roll the maturity forward and effectively maintain the amortization schedule, produced no economic gain or loss.

The District used the proceeds of its Series 2011C, 2011D, and 2011E Income Tax Secured Revenue Refunding Bonds (Adjusted SIFMA Rate) to advance refund $135,835 of its Series 2003A and 2003B General Obligation Bonds on November 30, 2011. The refunding provided the District with $23,810 of present value (PV) savings or 17.53% of par refunded.

The District used the proceeds of its Series 2012A and 2012B Income Tax Secured Revenue Refunding Bonds to currently refund $14,025 of its Series 2002C General Obligation Bonds, and advance refund $320,930 of its Series 2004A and 2005A General Obligation Bonds on

NOTE 8. LONG-TERM LIABILITIES

May 16, 2012. The refunding provided the District with $35,120 of present value savings or 10.48% of par refunded.

The District used the proceeds of its Series 2012 Tax Increment Revenue Refunding Bonds (Gallery Place Project) to refund $57,480 of its Series 2002 Gallery Place Project Tax Increment Revenue Bonds on June 21, 2012. The refunding provided the District with $8,570 of PV savings or 14% of par refunded.

Variable Rate Demand Bond Program

As of September 30, 2012, the District had four outstanding series of General Obligation Variable Rate Demand Obligations (VRDO) (which for reporting purposes, are included as part of the District's general obligation bonds) with an aggregate principal amount of $397,880. While all of the outstanding VRDO series are currently in a weekly interest rate reset mode, each series is a long-term obligation with final maturities ranging from 2027 to 2034. Each of the outstanding VRDO series is secured by a direct pay letter of credit (LOC) issued by a banking institution to provide both credit enhancement and liquidity support for the "demand" feature of the securities whereby, pursuant to the provisions of the authorizing documents for each of the VRDO series, bondholders have the right to tender their bonds to the District at any time for repurchase at 100% of the face value of the bonds (plus accrued interest). Pursuant to the terms of each LOC, each time bonds are tendered for purchase and at each principal and/or interest payment date, the LOC is drawn upon to make such payments. Following the draw on the LOC, the LOC provider is reimbursed by the trustee/tender agent from remarketing proceeds and/or Special Real Property Tax Revenue held in escrow by the trustee. To the extent that a LOC provider is not immediately reimbursed for a draw on its LOC, the terms and conditions of future repayment are set forth in the reimbursement agreement between the District and the LOC provider.

Table N38 summarizes each of the outstanding VRDO series and certain of the terms and conditions of each supporting LOC and reimbursement agreement.

Table N38 – Outstanding Variable Rate Demand Obligations

Series	Par Outstanding	Final Maturity	Reset Mode/ Payment Frequency	LOC Provider	LOC Issue Date	LOC Expiration Date
2008A	$ 59,950	6/1/2034	7-Day Reset / Monthly Pay	Bank of America	3/26/2010	3/26/2013
2008C-1	$ 67,195	6/1/2027	7-Day Reset / Monthly Pay	TD Bank	11/19/2009	11/19/2012
2008C-2	$ 157,105	6/1/2027	7-Day Reset / Monthly Pay	JP Morgan	11/19/2009	11/19/2012
2008D	$ 113,620	6/1/2034	7-Day Reset / Monthly Pay	Wells Fargo	3/26/2010	3/26/2013
Total	$ 397,870					

Note: The annual Letter of Credit fees range from 107 basis points to 145 basis points per annum based on the stated amount of each Letter of Credit.

Defeased Bonds

In prior years, the District defeased certain bond issues by issuing refunding bonds. Defeased debt outstanding does not constitute a debt of the District because the net proceeds from the issuance of the refunding bonds have been deposited in an irrevocable trust with an escrow agent to provide debt service payments until the defeased bonds are fully called.

As of September 30, 2012, the total amount of defeased debt outstanding held by the escrow agent was $860,460. This amount has been removed from the government-wide financial statements. As presented in **Table N39,** the amount of bonds defeased through fiscal year 2012 refundings was $623,535.

NOTE 8. LONG – TERM LIABILITIES

Table N39 - Summary of Defeased Bonds in FY 2012

SUMMARY OF DISTRICT BONDS IN FY 2012
Defeased by Income Tax Secured Revenue Bonds, Series 2011B-C-D-E, 2012A-B and Gallery Place Project Series 2012

Bond Series Refunded	Interest Rate	Refunded Amount
2010C ITSBs (SIFMA)	3.00%	$ 63,335
2010E ITSBs (SIFMA)	3.00%	31,930
2003A GO	4.75% to 5.00%	110,290
2003B GO	4.375% to 5.00%	25,545
2002C GO	5.25%	14,025
2004A GO	4.75% to 5.00%	140,090
2005A GO	5.00%	180,840
Gallery Place TIF Series 2002	5.125% to 5.50%	57,480
		$ 623,535

G. HEDGING DERIVATIVE INSTRUMENT PAYMENTS AND HEDGED DEBT

Table N40 presents aggregate debt service requirements of the District's debt and net receipts/payments on associated hedging derivative instruments as of September 30, 2012. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 2 for information on derivative instruments.

Table N40 – Aggregate Debt Service Requirements and Net Receipts/Payments On Hedging Derivative Instruments

Fiscal Year Ending September 30	Principal	Interest	Hedging Derivatives, Net	Total
2013	$ 6,875	$ 2,427	$ 11,296	$ 20,598
2014	16,315	2,369	11,045	29,729
2015	17,100	2,005	10,665	29,770
2016	17,910	1,620	10,260	29,790
2017	8,200	1,205	9,837	19,242
2018-2022	132,060	4,041	41,458	177,559
2023-2027	148,175	795	15,819	164,789
Total	**$ 346,635**	**$ 14,462**	**$ 110,380**	**$ 471,477**

H. OTHER LONG-TERM LIABILITIES

Equipment Financing Program

The District began its Master Equipment Lease Purchase Program (the Program) in 1998 to provide tax-exempt financing for assets with short-term to intermediate-term useful lives. Equipment procured under this program includes such items as fire apparatus (trucks) and other emergency medical services equipment (ambulances); trucks and cranes used by the Department of Public Works; vehicles used by the Metropolitan Police Department; and other heavy equipment items.

As of September 30, 2012, the District financed approximately $428 million of its capital equipment needs through the program, and had approximately $120 million in principal outstanding. During the year, the average interest rate used to finance equipment through the Program was 1.93%. Payments on the liability are made on a quarterly basis.

Table N41 shows the schedule of equipment financing program payments.

NOTE 8. LONG-TERM LIABILITIES

Table N41 – Schedule of Equipment Financing Program Payments

Year Ending September 30	Principal	Interest	Total
2013	$ 43,166	$ 2,783	$ 45,949
2014	32,717	1,562	34,279
2015	24,119	777	24,896
2016	15,262	262	15,524
2017	4,259	29	4,288
Total	**$ 119,523**	**$ 5,413**	**$ 124,936**

Certificates of Participation

In 2002, Certificates of Participation (COPs) were issued under an Indenture of Trust between Wells Fargo Delaware Trust Company (the "Lessor") and Wells Fargo Bank Minnesota, N.A. (the "Trustee"). The District agreed in the lease agreement to make lease payments (the "lease payments"), which are expected to be sufficient to pay the principal of and interest on the COPs. The District has $7,720 of outstanding 2002 COPs with a final maturity of 2013. The 2002 COPs were used to finance the acquisition of certain real property located in the District at 441 Fourth Street, N.W. The debt service requirements on these COPs are included in capital leases payable (see Note 14C).

In 2003, COPs were issued under an Indenture of Trust between Wells Fargo Delaware Trust Company (the "Lessor") and Wells Fargo Bank Minnesota, N.A. (the "Trustee"). The District has $48,885 of outstanding 2003 COPs with a final maturity of 2023, as shown in **Table N42a**. The 2003 COPs were used to provide funds to finance portions of the design and construction of a public safety and emergency preparedness communications and command center, and the design, construction and installation of a high-speed telecommunications network. In each case, the District's payment obligations are subject to and dependent upon the inclusion of sufficient funds in annual District budgets and annual appropriations being made by the United States Congress for such purpose. The weighted average interest rate on these COPs is 4.76%.

In 2006, COPs were issued under an Indenture of Trust between M&T Trust Company of Delaware (the "Lessor") and Manufacturers and Traders (the "Trustee"). The aggregate principal amount of this issuance was $211,680 to fund the Saint Elizabeth's Hospital and DMV projects as shown in **Table N42b**. The COPs' proceeds were used to fund a portion of the cost of the design and construction of the hospital, which totaled approximately $208 million. Of this amount, $184,200 was financed with COP proceeds and interest earnings thereon. In addition, COP proceeds were used to fund the purchase of the DMV building from its current owner for $15,300 and $3,100 of improvements to include: parking enhancements, window replacement, elevators, a loading dock, and access to the adjacent inspection facility. The District has $170,050 of outstanding 2006 COPs with a final maturity of 2026. The weighted average interest rate yield on these COPs is 4.54%.

Table N42a - Summary of Debt Service Requirements for COP- Public Safety Communications Center

Emergency Preparedness Communications Center & Related Technology COP

Year Ending September 30	Principal	Interest	Total
2013	$ 3,405	$ 2,395	$ 5,800
2014	3,545	2,256	5,801
2015	3,720	2,082	5,802
2016	3,930	1,872	5,802
2017	4,150	1,650	5,800
2018-2022	24,470	4,533	29,003
2023-2027	5,665	134	5,799
Total	**$ 48,885**	**$ 14,922**	**$ 63,807**

Table N42b - Summary of Debt Service Requirements for COP- St Elizabeth/DMV Building

St Elizabeth/DMV Building COP

Year Ending September 30	Principal	Interest	Total
2013	$ 8,565	$ 8,254	$ 16,819
2014	9,015	7,804	16,819
2015	9,500	7,318	16,818
2016	10,015	6,805	16,820
2017	10,555	6,265	16,820
2018-2022	61,410	22,691	84,101
2023-2027	60,990	6,290	67,280
Total	**$ 170,050**	**$ 65,427**	**$ 235,477**

225 Virginia Avenue, LLC Loan

On May 14, 2010, the District entered into a 20-year agreement with S/C 225 Virginia Avenue, LLC (the Developer). Under this agreement, the Developer financed excess costs for the construction of the improvements to the building located on the site at 225 Virginia Avenue. The District began repayment of the loan on June 30, 2012 with annual payments of $9,274.

NOTE 8. LONG – TERM LIABILITIES

A summary of debt service requirements to maturity for principal and interest is shown in **Table 43**.

Table 43 - Summary of Debt Service Requirements for 225 Virginia Avenue, LLC Loan

Year Ending September 30	225 Virginia Avenue, LLC		
	Principal	Interest	Total
2013	$ 2,546	$ 6,728	$ 9,274
2014	2,723	6,551	9,274
2015	2,913	6,361	9,274
2016	3,116	6,158	9,274
2017	3,333	5,941	9,274
2018-2022	20,484	25,884	46,368
2023-2027	28,679	17,689	46,368
2028-2032	37,035	6,240	43,275
Total	**$ 100,829**	**$ 81,552**	**$ 182,381**

A summary of changes in other long-term liabilities for governmental activities is shown in **Table N44**.

Table N44 - Changes in Other Long-Term Liabilities

Account	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
Governmental Activities:				
Accrued disability compensation (Note 15)	$ 151,337	$ 9,769	$ (26,060)	$ 135,046
Accumulated annual leave	152,682	8,897	(13,201)	148,378
Grant disallowances	70,000	-	-	70,000
Claims & judgments (Note 15)	48,777	91,440	(5,133)	135,084
Equipment financing program	115,846	49,463	(45,786)	119,523
Accreted interest	157,674	7,390	-	165,064
Premium on long-term debt	240,429	124,679	(45,739)	319,369
Capital leases payable (Note 14)	27,433	3,401	(11,862)	18,972
Loans payable	-	101,640	(811)	100,829
Parks and recreation notes	9,375	-	(3,125)	6,250
Verizon	4,494	-	-	4,494
Unfunded pension expenses	2,609	-	(2,609)	-
OPEB liability	45,606	-	(13,400)	32,206
Total	**$ 1,026,262**	**$ 396,679**	**$ (167,726)**	**$ 1,255,215**
Business-Type Activities:				
Obligation for unpaid prizes	**$ 22,912**	**$ 300**	**$ (6,831)**	**$ 16,381**

NOTE 8. LONG-TERM LIABILITIES

I. CURRENT & LONG-TERM PORTIONS OF LONG-TERM LIABILITIES

Table N45 presents the current and long-term portions of long-term liabilities. For the governmental activities, accumulated annual leave and claims and judgments are generally liquidated by the general fund.

Table N45 – Current & Long-Term Portions of Long-Term Liabilities

Type of Liability	Current Portion	Long-Term Portion	Total
Governmental Activities:			
General obligation bonds	$ 50,040	$ 2,245,185	$ 2,295,225
QZAB	945	6,683	7,628
Income tax secured revenue bonds	117,740	3,681,905	3,799,645
Tobacco bonds	29,760	647,459	677,219
TIF bonds	4,202	108,783	112,985
Ballpark bonds	5,680	502,255	507,935
GARVEE	4,140	74,635	78,775
Housing production trust fund	1,585	81,220	82,805
PILOT revenue bonds (AWC and NCRC)	9,857	89,067	98,924
PILOT revenue bond anticipation notes (CAPPER)	29,000	-	29,000
COPs	11,970	206,965	218,935
Premium on long-term debt	20,461	298,908	319,369
Equipment financing program	43,166	76,357	119,523
Loans payable	2,546	98,283	100,829
Accreted interest	-	165,064	165,064
Parks and Recreation notes	3,125	3,125	6,250
Capital leases	10,346	8,626	18,972
Annual leave	133,228	15,150	148,378
Disability compensation	-	135,046	135,046
Grant disallowances	-	70,000	70,000
Claims and judgments	-	135,084	135,084
Verizon	-	4,494	4,494
OPEB liability	-	32,206	32,206
Total	**$ 477,791**	**$ 8,686,500**	**$ 9,164,291**
Business-Type Activities:			
Obligation for unpaid prizes	**$ 7,306**	**$ 9,075**	**$ 16,381**

Obligation for Unpaid Prizes

The D.C. Lottery and Charitable Games Control Board (the Lottery) is a member of the Multi-State Lottery Association (MUSL), which is responsible for payments to Lotto-America and Powerball winners. MUSL is responsible for providing cash to the Lottery for funding these installment payments. As of September 30, 2012, MUSL purchased for the Lottery, U.S. government securities totaling $16,779 to fund future installment payments to winners.

The market value of these securities at September 30, 2012, was $16,381. The Lottery has reflected the market value of the securities as restricted investments and as corresponding obligations for unpaid prizes on the statement of net assets.

J. COMPONENT UNITS

Water and Sewer Authority

Prior to the creation of the Water and Sewer Authority (WASA) as an independent entity, the District issued general obligation bonds to fund improvements to the water and wastewater system. Although WASA was not directly liable for these general obligation bonds, WASA was required by enabling legislation to transfer to the District the funds necessary to pay its portion of the debt service on these bonds. At the end of fiscal year 2011, the

NOTE 8. LONG – TERM LIABILITIES

amount of District general obligation bonds which were reflected in WASA's financial statements totaled $245. By September 30, 2012, all such outstanding general obligation bonds had been retired. Accordingly, no District general obligation bonds are reflected in WASA's financial statements for the year ended September 30, 2012.

WASA derives part of its funding for future capital projects from the issuance of public utility revenue bonds, District general obligation bonds, notes payable to the federal government and various other non-debt sources of financing.

Bond Issuances in Fiscal Year 2012

In March 2012, WASA issued subordinate lien revenue bonds with a face value of $440,645. The bonds were structured in three Series: Series 2012A consisted of $177,430 with interest rates ranging from 2.0% to 5.0% maturing in 2037; Series 2012B consisting of $100,000 with interest rate at 2.26% maturing in 2044; and Series 2012C consisting of $163,215 with interest rates ranging from 4.0% to 5.0% maturing in 2033. Gross proceeds from the 2012 Bonds totaled $493,934, including $53,289 of the original issue premium. Approximately $302,413 was used to fund various capital projects; $188,688 was used to advance-refund Series 2003 Bonds, and $2,833 was used to pay the underwriter's discount and cost of issuance.

WASA completed its advance-refunding of the Series 2003 Bonds by using $188,688 of bond proceeds from Series 2012C to purchase securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments by approximately $25,478 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $17,843.

Debt outstanding at September 30, 2012, totaling $1,833,659 included net unamortized bond premiums of $64,988 and a remaining principal balance of $1,768,671.

Table N46 presents the debt service requirements to maturity for principal and interest for WASA's outstanding bonds.

Table N46 – Water and Sewer Authority Debt Service Requirements to Maturity

	Water and Sewer Authority		
Year Ending September 30	**Principal**	**Interest**	**Total**
2013	$ 19,692	$ 73,696	$ 93,388
2014	25,189	81,559	106,748
2015	26,473	80,229	106,702
2016	27,870	78,785	106,655
2017	29,317	77,340	106,657
2018 - 2022	178,210	361,332	539,542
2023 - 2027	239,470	311,004	550,474
2028 - 2032	303,669	245,479	549,148
2033 - 2037	390,602	158,211	548,813
2038 - 2042	446,282	50,758	497,040
2043 - 2047	81,897	3,361	85,258
Subtotal	**1,768,671**	**1,521,754**	**3,290,425**
Add: Unamortized Bond Premium-Net	64,988	-	64,988
Total	**$ 1,833,659**	**$ 1,521,754**	**$ 3,355,413**

NOTE 8. LONG-TERM LIABILITIES

Commercial Paper Note Payable

In November 2001, WASA closed on its $100 million commercial paper program. This program provided interim financing for a portion of WASA's approved $3.8 billion capital improvement program. Under the commercial paper program, WASA issues fixed-rate, short-term (no greater than 270 days) notes. WASA's commercial paper program is backed by a direct letter of credit issued by Westdeutsche Landesbank Giroznetrale (West LB). The notes are rated based on West LB's rating; in effect, the letter of credit of the bank substitutes WASA's security with the paying ability of the bank, enhancing the appeal and marketability of the notes.

In June 2010, WASA closed on its $225 million commercial paper program. Three series of notes have been issued under the commercial paper program: (1) the tax-exempt Series A CP Notes in an aggregate principal amount not to exceed 100 million; (2) the tax-exempt Series B CP Notes in an aggregate principal amount not to exceed $50 million; and (3) the taxable Series C CP Notes in an aggregate principal amount not to exceed $75 million, each as subordinate debt. To provide liquidity and credit support for the commercial paper notes, WASA obtained irrevocable, direct-pay letters of credit issued by J.P. Morgan Chase Bank and U.S. Bank, N.A., which expire on May 31, 2013. In connection with the banks' issuance of the letters of credit, WASA and each bank entered into a reimbursement agreement. Each agreement, dated June 1, 2010, obligates WASA to pay bank obligations and reimbursement obligations (as defined in the Eleventh Supplemental Indenture relating to the Commercial Paper Notes) and fee obligations (as defined in each reimbursement agreement) to the applicable bank. The bank obligations, reimbursement obligations, and fee obligations are subordinate debt under the indenture.

There was $41.2 million in outstanding taxable commercial paper at the end of fiscal year 2012. **Table N47** presents a schedule of commercial paper activity for the year ended September 30, 2012.

Table N47 – FY 2012 Commercial Paper Activity

Description	Balance at October 1, 2011	Addition	Deduction	Balance at September 30, 2012
Series C, (taxable), interest ranges from .15% to .28%	$ 29,200	$ -	$ -	$ 29,200
Series B, (tax-exempt), interest ranges from .08% to.22%	6,000	7,500	(1,500)	12,000
Total Commercial Paper	**$ 35,200**	**$ 7,500**	**$ (1,500)**	**$ 41,200**

Washington Convention and Sports Authority

The Washington Convention and Sports Authority (WCSA), formerly known as the Washington Convention Center Authority (WCCA), was authorized to issue bonds to finance the costs of the new convention center pursuant to the WCCA Act, as amended. On September 28, 1998, WCCA issued $524,500 in Senior Lien Dedicated Tax Revenue Refunding Bonds (Series 1998A bonds) to finance the construction of the new Washington Convention Center.

On February 1, 2007, WCSA issued $492,500 of refunding bonds, Series 2007A Bonds, to refund the Series 1998A Bonds. The refunding bonds have maturities ranging from October 1, 2008 to October 1, 2036 and interest rates ranging from 3.75% to 5%. The net proceeds of these refunding bonds were used to: (a) advance refund all of the Series 1998A Bonds in the aggregate principal amount of $480,600; (b) refinance a portion of the land acquisition cost of WCSA related to the headquarters hotel; and (c) pay the premium for the Reserve Account Credit Facility that will fund the Series 2007A Bonds. As a result, the refunded bonds were considered defeased and the liabilities for those were extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was $10,000 (NPV). In October 2008, the defeased bonds that were outstanding were paid by the Escrow Agent.

In October 2010, WCSA issued senior lien dedicated tax revenue bonds (Series 2010 Bonds) with face value of $249,200, with maturities ranging from October 2015 to October 2040, at interest rates ranging from 3.1% to 7.0%. The proceeds are to be used to (a) make funds available to the developer to pay a portion of the costs of acquiring, developing, constructing, and equipping the Convention Center Hotel project to be constructed on the Hotel Site adjacent to the Walter E. Washington Convention Center; (b) fund capitalized interest for a portion of the Series 2010 Bonds during the construction phase of the Convention Center Hotel Project; (c) fund

NOTE 8. LONG – TERM LIABILITIES

the Debt Service Reserve Account Requirement for each series of Series 2010 Bonds; (d) defease to the earliest optional redemption date that portion of WCSA's outstanding senior lien dedicated tax Revenue and Refunding Bonds, Series 2007A maturing on December 1, 2036 in the aggregate principal amount of $25,400; (e) make $2,000 available to WCSA for the establishment of the D.C. Citizen's Job Program created pursuant to the Hotel Act; and (f) pay the Cost of Issuance for the Series 2010 Bonds.

A portion of the net proceeds from the issuance of the Series 2010 Bonds was used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Series 2007A bonds are called or mature. As a result, the aggregate principal amount of $25,400 from Series 2007A Bonds is considered to be defeased and therefore has been removed as a liability from WCSA's financial statements.

As of September 30, 2012, WCSA's bond liability totaled $659,164. A summary of WCSA's debt service requirements to maturity for principal and interest is shown in **Table N48**.

Table N48 – Washington Convention and Sports Authority Debt Service Requirements To Maturity

	Washington Convention and Sports Authority		
Year Ending September 30	**Principal**	**Interest**	**Total**
2013	$ 13,865	$ 34,073	$ 47,938
2014	15,625	33,385	49,010
2015	18,200	32,652	50,852
2016	18,970	31,769	50,739
2017	19,835	30,838	50,673
2018 - 2022	117,410	137,696	255,106
2023 - 2027	156,220	104,081	260,301
2028 - 2032	176,340	59,899	236,239
2033 - 2037	76,885	31,685	108,570
2038 - 2040	53,175	6,335	59,510
Subtotal	**666,525**	**502,413**	**1,168,938**
Less: Unamortized Bond Discount - Net	(7,361)	-	(7,361)
Total	**$ 659,164**	**$ 502,413**	**$1,161,577**

Housing Finance Agency

Bonds issued by the Housing Finance Agency (HFA) are special obligations of the agency and are payable from the revenue and special funds of the applicable indentures. The bonds do not constitute debt of and are not guaranteed by the District or any other program of the District. All mortgage revenue bonds for multifamily projects financed to date have been issued by HFA as standalone pass-through financings with no direct economic recourse to the agency as issuer.

The provisions of the various bond indentures require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans and mortgage-backed securities. All outstanding bonds are subject to redemption at the option of HFA or the borrower, in whole or in part at any time, after certain dates, as specified in the respective bond indentures and bond resolutions, at prescribed redemption prices. The redemption premiums range up to 5.00%. Under the Multi-Family (Conduit Bond) Program, this option generally cannot be exercised until the bonds have been outstanding for ten years as provided in the various indentures. Term bonds are generally subject to redemption, without premium, from mandatory sinking fund payments.

Bonds issued to provide financing for HFA's housing programs are collateralized by: (a) mortgage-backed securities in connection with underlying loans; (b) mortgage loans made on the related multi-family developments or single family residential mortgage loans

NOTE 8. LONG-TERM LIABILITIES

purchased; or (c) investments of bond proceeds, debt service reserves and escrow accounts, and all revenues, mortgage payments, and recovery payments received by HFA from investments, mortgage loans and mortgage-backed securities in connection with the related developments.

A summary of HFA's debt service requirements to maturity for principal and interest is shown in **Table N49**.

Table N49 - Housing Finance Agency Debt Service Requirements to Maturity

Year Ending September 30	Principal	Interest	Total
2013	$ 25,876	$ 39,865	$ 65,741
2014	32,626	38,739	71,365
2015	16,436	37,870	54,306
2016	15,519	37,129	52,648
2017	16,151	36,365	52,516
2018-2022	100,357	168,973	269,330
2023-2027	136,046	137,530	273,576
2028-2032	104,549	105,755	210,304
2033-2037	131,271	76,702	207,973
2038-2042	161,989	44,024	206,013
2043-2047	97,347	16,448	113,795
2048-2052	29,164	3,087	32,251
2053-2057	1,826	194	2,020
Subtotal	**869,157**	**742,681**	**1,611,838**
Add: Unamortized Bond Premium, net	3,179	-	3,179
Total	**$ 872,336**	**$ 742,681**	**$ 1,615,017**

During fiscal year 2010, HFA secured two committed lines of credit with PNC Bank, N.A. in the total amount of $53,000: (1) one line of credit for $3,000 to be used to acquire ownership of and make improvements to HFA's headquarters building; and (2) another line of credit for $50,000 to be used to provide interim financing for the costs of extending multi-family and single-family mortgages and/or mortgage-backed securities under the United States Treasury New Issue Bond Program or any subsequent bond program of HFA as approved by PNC Bank. During fiscal year 2011, HFA and PNC Bank modified the $50,000 line of credit by reducing it to $25,000, extending its term until the end of calendar year 2011. As of September 30, 2011, HFA requested and received a $5,000 advance under the $25,000 line of credit. The $5,000 draw was used to provide additional funding for the acquisition of single family mortgage-backed securities and was fully repaid during the year ended September 30, 2012, from the proceeds of long-term single family mortgage revenue bonds issued under the Single Family NIBP in December 2011.

NOTE 9. RETIREMENT PROGRAMS

A. DEFINED BENEFIT PENSION PLANS

District full-time employees receive pension benefits through the federally administered Civil Service Retirement System (CSRS), the Social Security System, or the District's Retirement Programs.

Civil Service Retirement System

Plan Description

The District contributes to the CSRS, a cost-sharing multiple-employer public employee retirement system, administered by the federal government's Office of Personnel Management (OPM). Permanent full-time District employees hired before October 1, 1987, except those covered by the District Retirement Program, are covered by CSRS, which provides retirement and

NOTE 9. RETIREMENT PROGRAMS

disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. In fiscal year 2012, there were 2,498 District employees who were covered by CSRS. The OPM issues a publicly available financial report that includes financial statements and required supplementary information for CSRS, which may be obtained at www.opm.gov.

Funding Policy

The District contributes 7% of each covered employee's annual salary to the CSRS. The contribution requirements of plan members are established (and may be amended) by the OPM. The District contributed 100% of the required amount to the CSRS for each of the past three fiscal years. The District's CSRS contributions for the years ended September 30, 2012, 2011, and 2010, were $12,319, $14,554, and $15,076, respectively.

Social Security System

Plan Description

The District also contributes to the federal government's Social Security System, a program that provides benefits for retirement, disability, survivorship, and death, which is funded by dedicated payroll taxes. The Social Security Administration and the U.S. Departments of Health and Human Services, Labor, and the Treasury administer this program. The authority to establish and amend policy and benefit provisions rests with the President and Congress of the United States.

Funding Policy

Consistent with the Federal Insurance Contributions Act (FICA), a 6.20% Social Security tax is to be withheld from the gross salary/wages of District employees, up to but not exceeding the applicable social security wage base, which was $110,100 (not in thousands) for 2012. In addition, the District also pays a 1.45% payroll tax for Medicare with an additional 1.45% being withheld from each employee's salary/wages.

Consistent with the 2010 Tax Reform Act, the Social Security tax rate for employees was temporarily lowered to 4.20% in 2011, giving employees and self-employed workers a two-percentage-points tax holiday. The employer tax rate remained unchanged.

District contributions to the Social Security System for FICA, for the years ended September 30, 2012 and 2011, were $66,261 and $70,475, respectively. In addition, District contributions for Medicare for fiscal years 2012 and 2011 were $27,065 and $28,991, respectively.

District Retirement Programs

Plan Descriptions

The Retirement Board administers the District's Retirement Programs (D.C. Code §4-601, 11-1561, 31-120), which consist of two single-employer defined benefit pension plans, one established for police and firefighters, and the other for teachers.

Each plan provides retirement, death and disability benefits, and annual cost of living adjustments to plan members and beneficiaries. Retirement and disability benefit provisions for police and firefighters are established by the Policemen and Firemen's Retirement and Disability Act (D.C. Code §5-701 et seq. (2001 ed.)). For the Teachers Plan, Title 38, Chapter 20 of the D.C. Code (D.C. Code § 38-2001, et seq. (2001 ed.)) assigns the authority to establish and amend benefit provisions to the Council. The Retirement Board issues a publicly available financial report which includes financial statements and required supplementary information for the plans. This report can be obtained from the Executive Director, District of Columbia Retirement Board, 900 7th Street, N.W., 2nd Floor, Washington, D.C. 20001.

Funding Policy

Police and firefighter member contribution requirements are established by D.C. Code § 5-706 and requirements for District contributions are established by D.C. Code § 1-907.02 (2001 ed.), which may be amended by the Council. Administrative costs are paid from investment earnings.

Teachers contribute by salary deductions on the basis of a normal rate of contributions, which is assigned by the Program upon membership. Members contribute 7% (or 8% for teachers hired on or after November 16, 1996) of annual gross salary, including any differential for special assignment and longevity, but excluding overtime, holiday, or military pay.

The District is required to contribute the remaining amounts necessary to finance the coverage of its employees through periodic contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The Replacement Act defines the eligibility and the calculation of the amount of the benefit payment for covered District employees for service accrued after June 30, 1997. The District's contributions for fiscal years 2012, 2011 and 2010, were equal to the fund's independent actuary's recommendation.

Under P. L. 105-33, the federal government makes annual contributions to the Police and Firefighters' Plan and to

NOTE 9. RETIREMENT PROGRAMS

the year ended September 30, 2012, and have been reported as intergovernmental revenue. Related expenditures of $381,096 and $101,304 have been reported in the public safety and justice and the public education system functions, respectively.

Annual Pension Cost and Net Pension Obligation

As actuarially determined, the District was not required to make a contribution to the Teachers Pension Plan in fiscal year 2012. However, the District made its actuarially required contribution of $116,664 to the Police and Firefighters Pension Plan.

The District's annual pension cost and net pension obligation to these plans for fiscal year 2012 are presented in **Table N50.**

Table N51 presents three-year trend information regarding annual pension cost, percentage of annual pension cost contributed, and net pension obligation.

Table N50 - Annual Pension Cost and Net Pension Obligation

	Teachers	Police and Firefighters
Annual required contribution (ARC)	$0	$116,664
Interest on net pension obligation	$0	$0
Adjustment to ARC	$0	$0
Annual pension cost	$0	$116,664
Contributions made	$0	$116,664
Increase (decrease) in net pension obligation	$0	$0
Net pension obligation beginning of year	$0	$0
Net pension obligation end of year	$0	$0

Table N51 - Three Year Trend Information

	Teachers			Police and firefighters		
Fiscal Year Ending	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation
09/30/12	$0	N/A	$0	$116.4	100%	$0
09/30/11	$0	N/A	$0	$127.2	100%	$0
09/30/10	$0	N/A	$0	$132.3	100%	$0

Actuarial Methods and Assumptions

The District's Annual Required Contributions for the Police and Firefighters Pension Plan and the Teachers Pension Plan were calculated using the aggregate actuarial cost method. Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funding status and funding progress was prepared using the entry age actuarial cost method for that purpose. The information presented as required supplementary information is intended to serve as a surrogate for the funded status and funding progress of the plan.

NOTE 9. RETIREMENT PROGRAMS

Additional information regarding the plans as of the latest actuarial valuation date is presented in **Table N52**:

Table N52 – Additional Actuarial Information (District Retirement Funds)

Fiscal Year 2012	
Valuation date	October 1, 2011
Actuarial cost method for contributions	Aggregate
Actuarial cost method for accrued liabilities	Entry Age Normal
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	7-year smoothed market return
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases:	
Police officers and fire fighters	5.25% - 9.75%
Teachers	4.95% - 8.75%
Includes inflation at	4.25%
Cost of living adjustments (COLAs)	4.25%
COLAs (for post November 10, 1996 hires)	Limited to 3.00%

Funded Status and Funding Progress

As of October 1, 2011, the most recent actuarial valuation date, the Teachers', Police Officers' and Firefighters' Pension Plan was 106.4% funded. The actuarial accrued liability for benefits was $4,854,689 and the actuarial value of assets was $5,167,370 resulting in a negative unfunded actuarial accrued liability (UAAL), or funding excess, of ($312,681). The covered payroll (annual payroll of active employees covered by the plan) was $805,676 and the ratio of the UAAL to the covered payroll was -38.8%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan's assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Under the provisions of D C. Code §1-627, the District sponsors a defined contribution pension plan with a qualified trust under Internal Revenue Code (IRC) Section 401(a) for permanent full-time employees covered under the Social Security System. In fiscal year 2012, there were 14,741 employees participating in the Section 401(a) plan. New hires do not contribute to the plan and are eligible to participate after one year of service.

The District contributes 5% of base salaries for eligible employees each pay period. This contribution rate is 5.5% of base salaries for detention officers. Contributions and earnings vest incrementally beginning after two years of service, including a one-year waiting period, and vest fully after five years of service including the one-year waiting period. Contributions and earnings are forfeited for the period of service during which the employee does not achieve incremental vesting, if separation occurs before five years of credited service. These contributions are not considered assets of the District, and the District has no further liability to this plan.

For the fiscal years ended September 30, 2012, 2011, and 2010, District contributions to the plan were $44,195, $46,955, and $43,167, respectively.

This plan also covers employees of the D.C. Housing Authority and the Water and Sewer Authority, while the employees of the Housing Finance Agency, Washington Convention and Sports Authority, the University of the District of Columbia, and the Not-for-Profit Hospital Corporation are covered under separate defined contribution plans.

C. DEFERRED COMPENSATION PLANS

Internal Revenue Code Section 403 Plan

The District sponsors an annuity purchase plan (D.C. Code §31-1252) with insurance companies and other issuers in accordance with IRC Section 403 for public teachers covered by the District Retirement Program. The District does not contribute to this plan and has no liability to the plan. Under this annuity purchase plan, eligible employees were able to defer up to $16.5 ($16.5 thousand) of their annual compensation for calendar year 2012. Employees with 15 years of service or more were able to defer an additional amount, not to exceed the lesser of: (a) $3 ($3 thousand) in additional contributions; (b) $15 ($15 thousand) reduced by amounts contributed under this special provision in prior years; or (c) $5 ($5 thousand) times the number of years of service less the total elective deferrals from previous years. In addition, employees who were 50 years old or older by the end of the plan year were able to defer an additional amount as a catch up contribution. The maximum amount for catch up contributions was $5.5 ($5.5 thousand) in 2012. District employees contributed $16,782 to this annuity plan in fiscal year 2012. Contributions vest immediately and are not assets of the District.

NOTE 9. RETIREMENT PROGRAMS

Internal Revenue Code Section 457 Plan

The District offers its employees a deferred compensation plan (D.C. Code §47-3601) created in accordance with IRC Section 457. Employees, including teachers, were able to defer the lesser of $16.5 ($16.5 thousand) or 100% of includable compensation in calendar year 2012. A special catch-up provision is also available to participants that allows them to "make up" or "catch up" for prior years in which they did not contribute the maximum amount to the plan. The "catch up" limit is the lesser of: (a) twice the annual contribution limit, $33 ($33 thousand); or (b) the annual contribution limit for the year plus underutilized amounts from prior taxable years. An additional deferral of $5.5 ($5.5 thousand) is available to participants who are at least 50 years old before the end of the calendar year.

Compensation deferred and income earned are taxable when paid, or made available to the participant or beneficiary, upon retirement, death, termination, or unforeseeable emergency. District employees contributed $34,933 to this plan in fiscal year 2012. Contributions are not assets of the District, and the District has no further liability to the plan.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Information on the District's Postretirement Health and Life Insurance Benefit Plan is provided below.

a) Plan Description:

The District of Columbia Postretirement Health and Life Insurance Benefit Plan (the Plan) is a single-employer defined benefit healthcare and life insurance plan administered jointly by the Department of Human Resources and the Office of Finance and Treasury. The Plan is administered as an irrevocable trust through which assets are accumulated and benefits are paid as they become due in accordance with the substantive plan. All employees hired after September 30, 1987, and employees who retire under the Teachers Retirement System and Police and Firefighters Retirement System or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan. The Plan provides medical care and life insurance benefits to eligible employees. D.C. Code §1-621.09 authorizes the Mayor to determine the amount of District contribution for enrollments before the beginning of each contract period. In addition, the Mayor may propose amendments to establish and/or revise benefit provisions and the Council may elect to pass the appropriate legislation. The Plan's administrators issue a publicly available financial report that includes financial statements and required supplemental information for the Plan. This report may be obtained from the following location:

Office of Finance and Treasury
D.C. Treasurer
1101 4th Street, S.W., Suite 800
Washington, D.C. 20024

State Street serves as the Master Custodian for the OPEB Trust Fund and as an independent source, provides information on investment transactions, thereby confirming or disputing information provided by the Plan's investment managers.

b) Summary of Significant Accounting Policies

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. District contributions to the plan are recognized when due and the District has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Plan's administrative costs are paid by the District.

Investments are reported at fair value with realized and unrealized gains and losses included in the Statement of Changes in Plan Net Assets. Fair value of marketable securities is based on quoted market price, dealer quotes, and prices obtained from independent pricing sources. Securities for which market quotations are not readily available are valued at their fair value, as determined by the custodian under the direction of the plan or fund, with the assistance of a valuation service.

c) Funding Policy

The contribution requirements of plan members and the District are established by the Mayor and the Council of the District of Columbia. The Mayor and Council may also amend contribution requirements. The first actuarial valuation of the

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

plan's assets and liabilities using GASB Statement No. 43 parameters was performed in fiscal year 2007, and the District began paying contributions based on an actuarially determined valuation using the parameters of GASB 45 in fiscal year 2008, as presented in the Schedule of Employer Contributions.

For fiscal year 2012, the District contributed $109.8 million to the plan and retiree contributions totaled $280,752 ($280.8 thousand). Employee contributions are not required prior to retirement to fund the plan.

Annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 72% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or police officer or firefighter annuitants who are injured in the line of duty, the District pays 72% of the cost of the selected health benefit plan and the annuitant pays 28% of the cost of the selected health benefit plan.

Covered family members of an annuitant with at least 10 years of creditable District service but less than 30 years of creditable District service pay 80% of their health insurance premiums and the District pays the remaining 20%, plus an additional 2.5% for each year of creditable District service over 10 years, provided that the District's contribution shall not exceed 60% of the cost for the covered family member of the annuitant. The District pays 60% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service and the family member pays 40% of the cost of the selected health benefit plan. The District pays 60% of the cost of the selected health benefit plan and the family member pays 40% of the cost of the selected health benefit plan for covered family members of police officer or firefighter annuitants who are injured or killed in the line of duty.

The participant pays $.03575 per $1,000 ($1 thousand) of life insurance coverage until age 65 for the 75% reduction option, with no contributions required thereafter. Participants can also elect a 50% or 0% reduction of life insurance benefits, which require additional contributions.

d) Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the District's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Table N53 shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset or obligation to the plan.

Table N53 – Annual OPEB Cost, Actual Plan Contributions, and Changes in Net OPEB Obligations

	FY 2012	FY 2011	FY 2010
Annual required contribution	$95,500	$94,165	$92,193
Interest on net OPEB obligation	$3,192	$3,129	$3,052
Adjustment to annual required contribution	($2,252)	($2,191)	($1,943)
Annual OPEB cost (expense)	$96,440	$95,103	$93,302
Contributions made	$109,840	$94,200	$90,700
Net OPEB asset/(obligation)	$13,400	($903)	($2,602)
Net OPEB asset (obligation) – beginning of year	($45,606)	($44,703)	($42,101)
Net OPEB asset (obligation) – end of year	($32,206)	($45,606))	($44,703)

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding years are shown in **Table N54.**

Table N54 - Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed, Net OPEB Obligation (Fiscal Years 2010 through 2012)

Fiscal Year Ended	Annual OPEB Cost (millions)	% Of Annual OPEB Cost Contributed	Net OPEB Obligation (millions)
09/30/12	$96.4	114%	$32.2
09/30/11	$95.1	99%	$45.6
09/30/10	$93.3	97%	$44.7

e) Funded Status and Funding Progress

As of September 30, 2011, the most recent actuarial valuation date, the Plan was 59% funded. The actuarial accrued liability for benefits was $866,600 and the actuarial value of assets was $511,500, resulting in an unfunded actuarial accrued liability (UAAL) of $355,100. The covered payroll (annual payroll of active employees covered by the plan) was $1,559,800 and the ratio of the UAAL to the covered payroll was 22.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Using the September 30, 2011 actuarial valuation results, the September 30, 2012 estimated actuarial liability is $1,002,000 and the estimated actuarial value of the assets is $640,000 resulting in an estimated unfunded actuarial accrued liability (UAAL) of $362,000. The estimated covered payroll (annual payroll of active employees covered by the Plan) is $1,601,000 and the estimated ratio of the UAAL to the covered payroll is 22.6%.

f) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Entry Age Normal Actuarial cost method was used to prepare the September 30, 2011 actuarial valuation. The actuarial assumptions included a 7.00% investment rate of return, a discount rate of 7.00%; a 4.25% inflation rate and a medical trend rate ranging between 9.5% (pre-Medicare) and 8.5% (post-Medicare) grading to 5.25% over 15 years. Fixed dollar amounts in the health care benefits (deductibles, co-pays, benefit maximums, etc.) are assumed to increase periodically to keep pace with the medical trend. The amortization method applied was the Level Percent Open Method. The remaining amortization period at September 30, 2011, was 30 years.

NOTE 11. FUND BALANCE/NET ASSETS

Fund balances at September 30, 2012, are shown in **Table N55a**.

Table N55a - Schedule of FY 2012 Fund Balance

	General Fund	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable						
Long-Term Assets	$ 8,162	$ -	$ -	$ -	$ -	$ 8,162
Inventory	12,195	-	-	-	-	12,195
Total Nonspendable Fund Balance	20,357	-	-	-	-	20,357
Restricted for:			-			
Emergency and Contingency Cash Reserve	339,103	-	-	-	-	339,103
Debt Service - Bond Escrow	388,255	-	-	-	-	388,255
Budget	29,847	-	-	-	-	29,847
Purpose Restrictions	99,072	180,921	-	-	-	279,993
Payment in Lieu of Taxes (PILOT)	-	-	-	-	45,143	45,143
Tobacco Settlement	-	-	-	-	83,143	83,143
Tax Increment Financing Program	-	-	-	-	46,453	46,453
Housing Production Trust Fund	-	-	74,379	-	-	74,379
Highway Projects	-	-	-	-	44,469	44,469
Baseball Special Revenue	-	-	-	-	67,134	67,134
Total Restricted Fund Balance	856,277	180,921	74,379	-	286,342	1,397,919
Committed to:						
Fiscal Stabilization Reserve	95,551	-	-	-	-	95,551
Cash Flow Reserve	346,378	-	-	-	-	346,378
Integrated Service Fund	4,577	-	-	-	-	4,577
Budget Support Act	11,237	-	-	-	-	11,237
Fixed Cost Commodity Reserve	9,928	-	-	-	-	9,928
Youth Jobs Fund	4,368	-	-	-	-	4,368
Healthcare Forfeiture	615	-	-	-	-	615
Dedicated Taxes	26,759	-	-	-	-	26,759
Other Special Purposes	95,595	-	-	-	-	95,595
Total Committed Fund Balance	595,008	-	-	-	-	595,008
Assigned to:						
Contractual obligations	3,775	-	-	-	-	3,775
Subsequent Years' Expenditures	31,104	-	-	-	-	31,104
Total Assigned Fund Balance	34,879	-	-	-	-	34,879
Unassigned	-	-	-	(116,269)	-	(116,269)
Total Fund Balance	**$ 1,506,521**	**$ 180,921**	**$ 74,379**	**$ (116,269)**	**$ 286,342**	**$ 1,931,894**

NOTE 11. FUND BALANCE/NET ASSETS

Net assets at September 30, 2012, are shown in **Table N55b**.

Table N55b - Schedule of FY 2012 Net Assets, Proprietary and Fiduciary Funds

	Lottery & Games	Unemployment Compensation Fund	Fiduciary Funds
Net Assets			
Invested in capital assets	$ 480	$ -	$ -
Restricted for future benefits	-	229,930	6,102,249
Unrestricted	3,607	-	-
Total Net Assets	**$ 4,087**	**$ 229,930**	**$ 6,102,249**

NOTE 12. JOINT VENTURE

Washington Metropolitan Area Transit Authority

The Washington Metropolitan Area Transit Authority (WMATA) was created by an Interstate Compact between Maryland, Virginia and the District of Columbia, pursuant to Public Law 89-774. The District's commitment or obligation to provide financial assistance to WMATA is established by annual appropriations, as approved by Congress. The District supports WMATA through operating, debt service and capital grants. The District places the amounts to be provided to WMATA in an escrow account until such time when the funds are drawn down for use by WMATA. Operating grants may be in the form of operating and interest subsidies. WMATA records the District's operating grants as advanced contributions when received and as non-operating revenues when the related expenses are incurred. WMATA recognizes the District's capital grants as additions to construction in progress and investment in capital assets when the grant resources are expended for capital acquisitions. A summary of the grants provided to WMATA during the year ended September 30, 2012, is shown in **Table N56a.**

Table N56a - Summary of Grants Provided to WMATA

Type	Local	Capital
Operating grants	$ 215,008	$ -
School Transit Subsidy	6,331	-
Capital grants	-	110,379
Total	**$ 221,339**	**$ 110,379**

WMATA issues separate audited financial statements which can be requested from the General Manager, Washington Metropolitan Area Transit Authority, 600 5th Street, N.W., Washington, D.C. 20001. **Table N56b** presents information that allows financial statement users to assess whether WMATA is accumulating significant financial resources or experiencing fiscal stress that may cause additional financial benefits or burden to the District and other participating governments.

Table N56b - Summary of Financial Statements for WMATA as of and for the year ended June 30, 2012

Financial Position	
Total assets	$ 10,260,834
Total liabilities	(1,995,594)
Net assets	**$ 8,265,240**
Operating Results	
Operating revenues	$ 816,670
Operating expenses	(2,134,668)
Nonoperating revenues, net	700,506
Revenue from capital contributions	505,167
Change in net assets	**$ (112,325)**
Change in Net Assets	
Net assets, beginning of year, restated	$ 8,377,565
Change in net assets	(112,325)
Net assets, end of year	**$ 8,265,240**

NOTE 13. TRANSACTIONS WITH THE FEDERAL GOVERNMENT

A. FEDERAL CONTRIBUTION

In accordance with the National Capital Revitalization and Self-Government Improvement Act of 1997 (Public Law 105-33), the annual federal payment was repealed and replaced by a federal contribution to cover special purpose and other unusual costs imposed on the District by the federal government. Federal contributions to the District for the year ended September 30, 2012, totaled $554,979.

B. EMERGENCY PREPAREDNESS

The District, as the nation's capital, serves as the command post and the source of first response to any national threat or terrorist act against the nation. In fiscal year 2002, the District received $155,900 in federal funding for emergency preparedness. This funding was provided by the federal government to assist the District in preparing for response to potential terrorist threats or other attacks. By the end of fiscal year 2008, the District had expended $151,659, or 97.3%, of the $155,900 received in fiscal year 2002. Since that time, the District did not expend any of the remaining emergency preparedness funds until the fiscal year 2012, when the District expended $603 ($603 thousand) for purposes of emergency preparedness. Therefore, by the end of fiscal year 2012, the District had used $152,262, or 97.7% of the federal funding received for this purpose.

C. GRANTS

The District participates in a number of programs which are funded by the federal government through formula and project grants, direct and guaranteed loans, direct payments for specified and unrestricted use, food stamps, and other pass-through grants.

The federal government also provides capital grants, which are used for the purchase or construction of capital assets. Federal grants and contributions are shown by function on the government-wide financial statements.

D. WATER AND SEWER SERVICES

The District exercises no oversight responsibility over the Washington Aqueduct, which is owned by the federal government and operated by the U.S. Army Corps of Engineers. Historically, the District issued long-term debt to finance most of the Aqueduct's capital facilities, and the Water and Sewer Authority recorded this debt and related capital costs in its financial statements. In 1997, the Water and Sewer Authority and Northern Virginia customers entered into an agreement with the federal government, which provided for the funding of the Washington Aqueduct's capital improvement program directly through borrowings. The Water and Sewer Authority is now responsible for funding only its portion of this debt and other related capital projects, and operating costs calculated as the pro rata share of water purchased. The Water and Sewer Authority records payments for capital costs related to the Washington Aqueduct as purchased capacity. Such costs, which were allocable to other jurisdictions but funded by the Water and Sewer Authority prior to April 1, 1997, are reported as due from other jurisdictions.

Capital outlays are capitalized and depreciated over 60 years by the Water and Sewer Authority. Total capital outlays including capitalized interest from the U.S. Treasury drawdowns and pay-as-you-go financing were $12,247 for the fiscal year ended September 30, 2012.

NOTE 14. LEASES

A. CAPITAL LEASES

The District leases buildings and equipment under various agreements that are accounted for as capital leases with varying terms. Capital lease commitments are recorded in the government-wide financial statements.

Capital lease payments are classified as debt service expenditures in the governmental funds. Such expenditures totaled $9,464 in fiscal year 2012.

B. OPERATING LEASES

Operating leases are not recorded in the statement of net assets. These leases contain various renewal options, the effects of which are reflected in the minimum lease payments only if the options will be exercised. Certain other operating leases contain escalation clauses and contingent rentals that are not included in the calculation of the future minimum lease payments. Operating lease expenditures recorded in governmental funds totaled $120,619 in fiscal year 2012.

NOTE 14. LEASES

C. SCHEDULE OF FUTURE MINIMUM LEASE COMMITMENTS

Table N57 shows the present value of future minimum lease payments under capital leases and minimum lease payments for all operating leases having non-cancelable terms in excess of one year at September 30, 2012.

Table N57 - Schedule of Future Minimum Lease Payments

	Primary Government		
	Capital	Operating Leases	
Year Ending September 30	Leases	Facilities	Equipment
2013	$ 10,346	$ 87,028	$ 1,237
2014	2,862	122,246	344
2015	3,057	70,640	199
2016	3,268	68,676	199
2017	1,837	64,008	-
2018-2022	-	192,725	-
2023-2027	-	71,154	-
2028-2032	-	523	-
2033-2037	-	536	-
2038-2042	-	549	-
2043-2047	-	563	-
2048-2052	-	365	-
Minimum lease payments	**21,370**	**$ 679,013**	**$ 1,979**
Less - imputed interest	(2,398)		
Present value of payments	**$ 18,972**		

NOTE. 15. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays all claim settlements and judgments from its general fund resources and reports all of its risk management activities as governmental activities in the government-wide financial statements. Non-incremental claims adjustment expenses are not included in the liability for claims and judgments. Claim expenditures and liabilities are reported in the government-wide financial statements when it is probable that loss has occurred and the amount of that loss can be reasonably estimated, and reported in the general fund when due and payable. These losses include an estimate of claims that have been incurred but not reported.

B. GRANTS AND CONTRACTS

The District has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the District. The audits of these federally assisted programs have not been conducted for the year ended September 30, 2012. As such, the District's compliance with applicable grant and federal requirements will be assessed and established at some future date. Based on prior experience and resolutions reached with grantor agencies, the District determined that at September 30, 2012, probable cumulative expenditures that may be disallowed by grantor agencies totaled $70,000. There were no additional accruals recorded during fiscal year 2012. Accordingly, an accrual for such expenditures has been recorded in the government-wide financial statements. Certain grant expenditures of prior years have been disallowed by grantors based on the outcome of audits of federally assisted programs. Accordingly, $491 ($491 thousand) has been included as part of the accrued liability to reflect these known grant disallowances.

NOTE. 15. COMMITMENTS AND CONTINGENCIES

C. CONTINGENCIES RELATED TO DERIVATIVE INSTRUMENTS

All of the District's derivative instruments, except the rate cap, include provisions that require the District to post collateral in the event its credit rating falls below AA as issued by Fitch Ratings and Standard and Poor's or Aa as issued by Moody's Investors Service. The collateral posted is to be in the form of U.S. treasury securities in the amount of the fair value of hedging derivative instruments in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the hedging derivative instrument may be terminated by the counterparty. At September 30, 2012, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was $549 ($549 thousand). If the collateral posting requirements were triggered at September 30, 2012, the District would have been required to post $0 in collateral to counterparties. The District's general obligation credit rating is A2/A/A+; therefore, no collateral had been posted at September 30, 2012.

D. LITIGATION

The District is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations. Although the ultimate outcome of these legal proceedings and investigations is unknown, the District is vigorously defending its position in each case. All amounts in connection with lawsuits in which a loss is probable have been included in the liability for claims and judgments at September 30, 2012.

The accrued liability is based on estimates of the payments that will be made upon judgment or resolution of the claim. This accrued amount is the minimum amount in the range of estimates that have the same probability of occurrence. The sum of the amount in excess of the minimum range of probable losses and the amount of the minimum range of losses that are reasonably possible which are not accrued is estimated to be $89,775.

In addition to the accruals related to pending claims and judgments, the District accrued $57,886 for pending or unresolved property tax appeals made by District property owners in fiscal year 2012.

A summary of the changes in the accrued liability for claims and judgments reported in the government-wide financial statements is shown in **Table N58.**

Table N58 - Summary of Changes in Claims and Judgments Accrual

Description	Fiscal Year 2012	Fiscal Year 2011
Liability at October 1	**$ 48,777**	**$ 70,435**
Claims incurred		
Lawsuits	33,554	12,752
Property tax appeals	57,886	-
Less:		
Claims payments/adjustments	(5,133)	(34,410)
Liability at September 30	**$ 135,084**	**$ 48,777**

E. DISABILITY COMPENSATION

The District, through its Office of Risk Management, administers a disability compensation program under Title XXIII of the District of Columbia Compensation Merit Personnel Act of 1978 (CMPA). This program, which covers all District employees hired under the authority of CMPA, provides compensation for lost wages, medical expenses, and other limited rehabilitation expenses to eligible employees and/or their dependents, where a work-related injury or illness results in disability or death. The benefits are funded on a pay-as-you-go basis. The present value discounted at 1.75% of projected disability compensation is accrued in the government-wide financial statements.

A summary of changes in this accrual is shown in **Table N59**.

Table N59 – Summary of Changes in Disability Compensation Accrual

Description	Fiscal Year 2012	Fiscal Year 2011
Liability at October 1	**$ 151,337**	**$ 160,513**
Claims incurred	9,769	17,224
Less-benefit payments/adjustments	(26,060)	(26,400)
Liability at September 30	**$ 135,046**	**$ 151,337**

NOTE. 15. COMMITMENTS AND CONTINGENCIES

F. DEBT SERVICE DEPOSIT AGREEMENTS

In prior years, the District entered into debt service deposit agreements which will be effective through fiscal year 2014. Under these agreements, the District exchanged future cash flows of certain special tax fund escrow accounts for fixed amounts received by the District. Execution of the debt service deposit agreements increased the District's ability to predict cash flows from the earnings on escrow account investments.

Upon early termination of an agreement and depending upon the prevailing interest rates at the time of termination, a termination amount may be owed by the District. At September 30, 2012, unearned revenue of $373 related to debt service deposit agreements was recorded in the government-wide financial statements.

NOTE. 16. SUBSEQUENT EVENTS

A. TAX REVENUE ANTICIPATION NOTES

The District issued $675,000 in General Obligation Tax Revenue Anticipation Notes (TRANs) on October 23, 2012. The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs, and the proceeds are to be used to finance general governmental expenses of the District in anticipation of the collection or receipt of revenues for fiscal year 2013.

The TRANs are general obligations of the District secured by the District's full faith and credit and are payable from all funds of the District not otherwise legally committed. In addition, the TRANs constitute continuing obligations until paid in accordance with their terms. The District has covenanted to deposit certain receipts into a TRANs Escrow Account, a segregated special purpose account, for the purpose of paying the principal of and interest on the TRANs when due.

Under the TRANs Escrow Agreement, the District is to make deposits into the TRANs Escrow Account in accordance with the following schedule:

Date of Deposit	Amount of Deposit
September 1, 2013	20% of the outstanding principal amount
September 20, 2013	60% of the outstanding principal amount
September 27, 2013	20% of the outstanding principal amount, plus 100% of accrued interest to maturity

The TRANs were issued as fixed rate notes with an interest rate of 2.00%, and will mature on September 30, 2013.

B. INCOME TAX SECURED REVENUE BONDS

On November 28, 2012, the District issued $750,765 in Income Tax Secured Revenue Bonds, Series 2012C and $25,005 in Income Tax Secured Revenue Refunding Bonds, Series 2012D, together the Series 2012C-D Bonds. These bonds were issued as Senior Bonds pursuant to the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Official Code §§ 47-340.26-36, as amended by the Income Tax Secured Bond Authorization Act of 2011, effective November 16, 2011 (together with the Income Tax Secured Bond Authorization Act of 2008, the "Act".)

The Series 2012C-D Bonds were issued pursuant to: (i) the Act and proceedings under the Act, including the Fiscal Year 2013 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Approval Resolution of 2012, effective October 16, 2012 (D.C. Resolution 19-635), (ii) a Master Indenture of Trust between the District of Columbia and Wells Fargo Bank, N.A., as trustee, dated March 1, 2009, as amended and supplemented (the Master Indenture), and (iii) a Sixteenth Supplemental Indenture of Trust between the same parties dated November 1, 2012.

The proceeds of the Series 2012C Bonds were used to: (i) pay and/or reimburse the District for costs of capital projects and (ii) pay the costs and expenses of issuing and delivering the Series 2012C Bonds.

The proceeds of the Series 2012D Bonds were used, together with other District funds, to: (i) currently refund the District's outstanding 4.00% PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsburg Public Improvement Issue), Series 2010 and (ii) pay the costs and expenses of issuing and delivering the Series 2012D Bonds.

The Series 2012C-D Bonds, the Outstanding Bonds, and

NOTE. 16. SUBSEQUENT EVENTS

any additional bonds issued under the terms of the Indenture, will be payable from and equally and ratably secured by a security interest in and a statutory lien on the Trust Estate, consisting primarily of the revenues (including available tax revenues) received or to be received by the collection agent, as agent for the trustee, the trustee, or the District. Available tax revenues means the sum of available business franchise tax revenues and available income tax revenues generated and to be generated in any fiscal year of the District.

The Series 2012C-D Bonds were issued with interest rates ranging from 2.50% to 5.00%, and are payable semi-annually on June 1 and December 1, commencing on June 1, 2013.

Pursuant to the Act, the Bonds are special obligations of the District payable solely from the Trust Estate pledged under the Indenture. The Bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District (other than the pledge of revenues made by the Indenture and the Act), do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings as prohibited by District law.

C. FEDERAL HIGHWAY GRANT ANTICIPATION REVENUE BONDS (GARVEE)

On October 10, 2012, the District issued $42,935 in Federal Highway Grant Anticipation Revenue Bonds, Series 2012. The Series 2012 Bonds were issued under and secured by the Master Trust Indenture dated February 1, 2011, as supplemented and amended , including by a First Supplemental Trust Indenture dated February 1, 2011, and a Second Supplemental Trust Indenture dated October 1, 2012, each by and between the District and U.S. Bank, N.A. as Trustee. The Series 2012 Bonds was the second series of bonds issued under the Master Indenture and these bonds were secured on parity with bonds previously issued in 2011, and any additional bonds issued by the District under the Master Indenture.

The Series 2012 Bonds were issued pursuant to the Transportation Infrastructure Improvements GARVEE Bond Financing Act of 2009, effective September 23, 2009 (D.C. Law 18-54; D.C. Official Code §§ 9-107.51-62) to finance Phase II of the Project. The Project meets the eligibility requirements of the Federal Highway Administration as a Federal Project.

The Series 2012 Bonds were issued to: (i) provide funds to finance a portion of the costs of Phase II of the project to replace the twin 11th Street Bridges over the Anacostia River and to improve the interchanges at either end, including adding missing movements to and from the north onto the Anacostia Freeway, and (ii) pay certain costs of issuing the Series 2012 Bonds.

The Series 2012 Bonds were issued with interest rates ranging from 2.00% to 5.00%, and are payable semi-annually on June 1 and December 1, commencing on June 1, 2013.

The Bonds are special obligations of the District, payable solely from pledged revenues specifically pledged under the Indenture. The District has neither pledged nor agreed to use any District revenues, taxes, or other monies to repay the Bonds other than federal transportation funds. The Bonds are without recourse to the District, are not a pledge of, and do not involve the faith and credit or the taxing power of the District. In addition, the Bonds do not constitute a debt of the District, and do not constitute lending of public credit for private undertakings as prohibited in the Home Rule Act. The Bonds are payable solely from the pledged revenues, and the bonds will be a valid claim of the respective owners thereof only against the trust estate, which is pledged, assigned and otherwise secured for equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of and premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Master Indenture.

D. DEED TAX REVENUE BONDS

On December 6, 2012, the District issued $22,395 in Deed Tax Revenue Bonds, Series 2012A and $17,190 in Deed Tax Revenue Bonds, Series 2012B (together the Series 2012 Bonds). The Series 2012 Bonds were issued as additional bonds pursuant to: (i) the Amended and Restated Indenture of Trust dated August 1, 2010, and (ii) the Second Supplemental Indenture of Trust dated December 1, 2012, each by and between the District and The Bank of New York Mellon, f/k/a The Bank of New York, as trustee.

The Series 2012 Bonds were issued to: (i) provide funds to assist in the financing, refinancing, or reimbursing the costs of undertakings by the District to accomplish the purposes of the New Communities Initiative, including the New Communities Projects; (ii) fund a deposit to the Debt Service Reserve Fund; and (iii) pay certain costs of issuance associated with the Series 2012 Bonds.

The Series 2012 Bonds, the Series 2010 Bonds, the Series 2007A Bonds, and any additional bonds issued under the terms of the Amended Indenture are payable from and secured by a Pledge of the Trust Estate, which includes pledged revenues. Pledged revenues include the amounts of the Allocated Fund that are received by the trustee and

NOTE. 16. SUBSEQUENT EVENTS

any other monies transferred by the District to the trustee and deposited in the Revenue Fund held by the trustee under the terms of the Indenture. The Allocated Fund is the segregated sub-account of the Housing Production Trust Fund established by the Housing Production Trust Fund Act of 1988 (D.C. Law 7-202; D.C. Official Code § 42-2801 et seq.) as amended, that collects and holds the following deposits received each fiscal year: (i) 15% of the Real Property Transfer Tax imposed by D.C. Official Code; and (ii) 15% of the Deed Recordation Tax imposed by D.C. Official Code § 42-1103.

The Series 2012 Bonds were issued with interest rates ranging from 3.00% to 5.00%, payable semi-annually on June 1 and December 1, commencing on June 1, 2013.

The Series 2012 Bonds are special obligations of the District. The Bonds are without recourse to the District, are not a pledge of, and do not involve the faith and credit or the taxing power of the District other than real property transfer and taxes and deed recordation taxes allocated to the Allocated Fund and deposited with the trustee. The Bonds do not constitute a debt of the District, nor do they constitute lending of the public credit for private undertakings as prohibited by the Home Rule Act. The Bonds are payable from and secured by a pledge of the Trust Estate, all of which shall be used for no purpose other than to pay the principal of, premium, if any, and interest on the Bonds.

E. DIRECT PURCHASES

On October 25, 2012, the District converted its outstanding Series 2008 General Obligation Variable Rate Demand Obligations (VRDO), substituting the direct-pay letters of credit with direct purchase obligations. The bonds remain in variable rate mode with the Series 2008A and Series 2008D Bonds issued in SIFMA Index mode and the Series 2008C Bonds in LIBOR Index mode as authorized under the Sixth and Seventh Supplemental Trust Indentures, respectively. The Sixth and Seventh Supplemental Indentures are by and between the District of Columbia and Wells Fargo Bank, N.A., as trustee, dated October 1, 2012. Each series has an initial put date by the purchaser of October 26, 2015, as well as additional term out provisions. The following provides an overview for each of the Series 2008 direct purchase obligation refunding(s):

Series	Par	Maturity	Put Date	Purchaser
2008A	$59,950	June 1, 2034	10/26/2015	Citibank, NA
2008C	$224,300	June 1, 2027	10/26/2015	Wells Fargo Bank, NA
2008D	$113,620	June 1, 2034	10/26/2015	Citibank, NA

F. COMPONENT UNITS

Housing Finance Agency Bond Activity

Subsequent to the end of fiscal year 2012, the following events occurred at the Housing Finance Agency (HFA):

Multifamily (Conduit Bond) Program, New Issuances:

- On October 12, 2012, $8,500 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2012 were issued to finance the Yards/D Building project.
- On November 19, 2012, $2,350 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2012A were issued in a draw down mode to finance the Whitelaw Apartments project.
- On November 19, 2012, $2,110 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2012B were issued in a draw down mode to finance the Whitelaw Apartments project.
- On December 20, 2012, $11,610 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2012 were issued in a draw down mode to finance the Bass Circle Apartments project.
- On December 21, 2012, $17,600 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2012 were issued in a draw down mode to finance the SeVerna Phase II project.
- Between October 1, 2012 and December 31, 2012, the following multifamily mortgage revenue bonds were issued through draws on the draw down bonds:

NOTE. 16. SUBSEQUENT EVENTS

Series	Project Name	Draw Date(s)	New Issue Draw Amount
Series 2010	Arthur Capper	12/04/2012	$2
Series 2011A-1	Victory Square	10/02/2012–12/21/2012	1,007
Series 2011 A	The Heights	10/18/2012 01/03/2013	2,985
Series 2012	Fairway Park	10/12/2012–01/23/2013	3,055
Series 2012	Whitelaw Apartments	11/20/2012	50
Series 2012	Bass Circle	12/20/2012	1,510
Series 2012	SeVerna II	12/21/2012	1,768
Total			**$10,377**

Single Family Issue Bond Program Redemptions and Maturities:

- On November 1, 2012, $1,420 in District of Columbia Housing Finance Agency Single Family Housing Revenue Bonds Series 2009A-1 were redeemed from unused bond proceeds.
- On December 1, 2012, $440 in District of Columbia Housing Finance Agency Single Family Housing Revenue Bonds Series 2009 A-1 were redeemed through sinking fund maturity and from prepayments.
- On December 1, 2012, the following 1996 Single Family Mortgage Revenue Bonds were redeemed:

Series	Maturing Principal	Principal Redemptions	Total
2005 Series A		$245	$245
2005 Series B		555	555
2006 Series A	$30	65	95
2006 Series B		890	890
2006 Series D		20	20
2006 Series E		2,530	2,530
2007 Series A		2,125	2,125
Total	**$30**	**$6,430**	**$6,460**

- On December 1, 2012, $235 in District of Columbia Housing Finance Agency Collateralized Single Family Housing Revenue Bonds 1988 Series E-4 were redeemed from prepayments.

Multifamily New Issue Bond Program, New Issuances:

Series	Project Name	Redemption / Maturity Date	Principal Redeemed
2011 Series	Dahlgreen Courts	11/06/2012 & 12/18/2012	$1,500
2011 Series	Mayfair Mansions III	10/17/2012 – 11/29/2012	$3,750
2011 Series B	Nannie Helen	111/20/2012 & 01/18/20132	$1,368
2012 Series	House of Lebanon	10/12/2012	100
Total			**$6,718**

Multifamily (Conduit Bond) Program, Redemptions and Maturities:

- On November 30, 2012, $32,225 in District of Columbia Housing Finance Agency Housing Revenue Bonds 2001 Series A and B were fully redeemed due to the loan payoff.
- Between October 1, 2012 and January 25, 2013, $6,832 in multifamily mortgage revenue bonds were redeemed or matured.

Multifamily New Bond Program Redemptions and Maturities:

Series	Project Name	Redemption/ Maturity Date	Principal Redeemed
Series 2009A-1	Villages of Chesapeake	10/01/2012	$60
Series 2011A	Samuel Kelsey Apartments	12/01/2012	240
Series 2011	Capitol Hill Towers	12/01/2012	200
Total			**$500**

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information presents additional information as mandated by current governmental financial reporting standards.

Schedule of Funding Progress
District of Columbia Retirement Programs

TEACHERS' AND POLICE OFFICERS' AND FIREFIGHTERS' PLANS
As of September 30, 2012
($000s)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)/ (Funding Excess)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/2011	$5,167,370	$4,854,689	($312,681)	106.4%	$805,676	-38.8%
10/01/2010	$4,989,764	$4,495,129	($494,635)	111.0%	$761,370	-65.0%
10/01/2009	$4,493,400	$4,332,400	($161,000)	103.7%	$772,700	-20.8%
10/01/2008	$4,379,700	$4,276,800	($102,900)	102.4%	$781,200	-13.2%
10/01/2007	$4,068,900	$3,898,600	($170,300)	104.4%	$771,200	-22.1%

The District of Columbia Retirement Board uses the Aggregate Actuarial Cost Method, which does not result in the calculation of an unfunded accrued liability. GASB Statement No. 50 requires funds using the Aggregate Actuarial Cost Method to disclose funding status information based on Entry Age Normal calculations. Consistent with GASB Statement No. 50, the above Schedule of Funding Progress has been prepared using the Entry Age Actuarial Cost Method, to provide information that serves as a surrogate for the funded status and funding progress of the plan.

Actuarial Methods and Assumptions

OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM

As of September 30, 2012

Valuation Date	September 30, 2011 (projected from September 30, 2010 census)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Discount Rate	7.00%
Rate of Salary Increases	4.25% (plus merit scale)
Rate of Medical Inflation	9.5% (pre-Medicare) or 8.5% (post-Medicare)
Grading over 15 years	Grading to 5.25% over 15 years

The rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Schedule of Funding Progress

OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM

As of September 30, 2012

($000s)

	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2011	$511,500	$866,600	$355,100	59.0%	$1,559,800	22.8%
9/30/2010	$424,300	$784,900	$360,600	54.1%	$1,544,500	23.3%
09/30/2009	$309,100	$625,900	$316,800	49.4%	$1,579,900	20.1%
09/30/2008	$219,700	$745,200	$525,500	29.5%	$1,107,100	47.5%
09/30/2007	$164,200	$600,100	$435,900	27.4%	$1,090,900	40.0%

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OTHER SUPPLEMENTARY INFORMATION

This subsection includes the combining and individual fund statements and schedules for the following:

General Fund

Nonmajor Governmental Funds

Fiduciary Funds

Supporting Schedules

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GENERAL FUND

The General Fund is used to account for all financial resources that are not required to be accounted for in another fund.

Exhibit A-1

GENERAL FUND
BALANCE SHEET
September 30, 2012
(With Comparative Totals at September 30, 2011)
($000s)

	2012	2011
ASSETS		
Cash and cash equivalents (unrestricted)	$ 981,411	$ 687,877
Receivables (net of allowances for uncollectibles):		
Intergovernmental	24	5,486
Taxes	419,683	356,993
Accounts	194,599	174,113
Due from component units	33,616	53,790
Interfund	187,901	190,707
Inventories	12,195	10,510
Other current assets	1,029	5,222
Cash and cash equivalents (restricted)	339,103	322,583
Investments (restricted)	388,255	345,327
Total current assets	2,557,816	2,152,608
Long term assets	13,646	13,646
Total assets	**$ 2,571,462**	**$ 2,166,254**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Payables:		
Accounts	$ 390,221	$ 405,922
Compensation:		
Salaries and wages	148,530	146,249
Employee benefits	403	596
Payroll taxes	50	1,124
Other deductions	3,701	4,128
Interfund	17,011	35,893
Due to component units	13,288	15,194
Deferred revenue:		
Property taxes	89,833	79,548
Other	120,953	126,995
Accrued liabilities:		
Claims and judgments	-	60
Grant disallowances	4,545	5,940
Medicaid	174,769	156,219
Tax refunds	91,608	75,867
Other current liabilities	10,029	7,625
Total liabilities	**1,064,941**	**1,061,360**
Fund Balance:		
Nonspendable	20,357	18,465
Restricted	856,277	756,650
Committed	595,008	256,287
Assigned	34,879	73,492
Total fund balance	**1,506,521**	**1,104,894**
Total liabilities and fund balance	**$ 2,571,462**	**$ 2,166,254**

See Accompanying Independent Auditors' Report.

Exhibit A-2

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)
($000s)

	2012	2011
Revenues:		
Taxes	$ 5,686,168	$ 5,090,076
Fines and forfeits	185,771	129,448
Licenses and permits	99,300	102,769
Charges for services:		
Public	244,755	214,552
Intergovernmental	1,666	22,192
Miscellaneous:		
Public	356,643	433,015
Investment income	10,165	3,194
Total revenues	6,584,468	5,995,246
Expenditures:		
Governmental direction and support	694,011	620,426
Economic development and regulation	194,458	220,878
Public safety and justice	954,077	993,978
Public education system	1,571,264	1,507,747
Human support services	1,727,072	1,572,717
Public works	311,968	226,783
Public transportation	221,339	257,703
Debt service:		
Principal	177,175	179,097
Interest	287,819	266,272
Fiscal charges	14,349	14,296
Total expenditures	6,153,532	5,859,897
EXCESS OF REVENUES OVER EXPENDITURES	430,936	135,349
Other Financing Sources (Uses):		
Debt issuance	2,737	7,915
Refunding debt issuance	555,845	63,860
Premium on sale of bonds	66,836	6,188
Payment to refunded bond escrow agent	(622,363)	(63,335)
Equipment financing program	-	75
Transfers in	92,391	147,572
Transfers out	(124,755)	(123,499)
Total other financing sources (uses)	(29,309)	38,776
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	**401,627**	**174,125**
Fund Balance at October 1,	**1,104,894**	**930,769**
Fund Balance at September 30	**$ 1,506,521**	**$ 1,104,894**

See Accompanying Independent Auditors' Report.

Exhibit A-3

GENERAL FUND
SCHEDULE OF EXPENDITURES AND NET FINANCING (SOURCES) USES
FUNCTION AND OBJECT - GAAP BASIS
For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)
($000s)

Function and Subfunction	Personnel Services	Contractual Services	Supplies	Occupancy	Miscel-laneous *	Totals 2012	Totals 2011
Governmental Direction and Support:							
Legislative	$ 19,539	$ 1,704	$ 129	$ 589	$ 686	$ 22,647	$ 22,534
Executive	70,719	35,916	412	3,914	1,126	112,087	108,465
Finance	77,453	30,702	365	26	151,544	260,090	256,985
Personnel	9,409	1,535	41	18	114	11,117	10,169
Administrative	82,009	84,978	1,886	109,561	2,963	281,397	216,312
Elections	4,681	1,711	173	21	87	6,673	5,961
Total	263,810	156,546	3,006	114,129	156,520	694,011	620,426
Economic Development and Regulation:							
Community development	20,548	12,426	215	766	38,077	72,032	96,012
Economic regulation	49,080	8,082	323	4,923	4,101	66,509	65,009
Employment services	18,995	8,275	135	2,683	25,829	55,917	59,857
Total	88,623	28,783	673	8,372	68,007	194,458	220,878
Public Safety and Justice:							
Police	434,569	51,422	4,626	1,314	130,466	622,397	607,948
Fire	169,884	7,312	5,136	70	8,236	190,638	229,093
Corrections	64,605	52,237	5,582	2,807	1,222	126,453	143,223
Protection	5,702	1,382	85	6	266	7,441	7,004
Law	6,722	275	65	-	86	7,148	6,710
Total	681,482	112,628	15,494	4,197	140,276	954,077	993,978
Public Education System:							
Schools	496,633	79,458	7,470	40,423	530,312	1,154,296	1,066,398
Culture	123,337	32,465	1,408	9,089	250,669	416,968	441,349
Total	619,970	111,923	8,878	49,512	780,981	1,571,264	1,507,747
Human Support Services:							
Health and welfare	260,899	104,622	9,332	46,532	1,101,103	1,522,488	1,376,268
Human relations	4,301	2,728	35	54	14,413	21,531	21,304
Employment benefits	-	-	-	-	149,991	149,991	139,826
Recreation	28,307	3,204	949	-	602	33,062	35,319
Total	293,507	110,554	10,316	46,586	1,266,109	1,727,072	1,572,717
Public Works	146,030	81,684	1,736	18,905	63,613	311,968	226,783
Public Transportation	-	-	-	-	221,339	221,339	257,703
Debt Service	-	-	-	-	479,343	479,343	459,665
Net Financing Uses (Sources)	-	-	-	-	29,309	29,309	(38,776)
Total expenditures and net sources	$ 2,093,422	$ 602,118	$ 40,103	$ 241,701	$ 3,205,497	$ 6,182,841	$ 5,821,121

See Accompanying Independent Auditors' Report.

*Miscellaneous column includes transfers, subsidies and other payments totaling $3,196,515.

Transfers to: Convention Center [$101,026], Public Charter Schools [$508,115], UDC [$67,362], PAYGO-Capital [$134,871], Police & Fire Retirement System [$116,700], Mass Transit Subsidies [$221,339]

Payments for: Dept. of Health [$22,318], Dept. of Mental Health [$19,081], Dept. of Health Care Finance [$701,683], Dept. of Human Services [$135,313], Child & Family Services [$109,017], District Retiree Health Contribution [$109,800], Disability Services [$37,983], State Education [$58,184], Non-Public Tuition [$117,334], Baseball Transfer Dedicated Tax [$52,587], Dept. of Employment Services [$25,829], Equipment Lease-Capital [$49,791], BID [$22,303], Housing Production Trust Fund [$39,012], Certificate of Participation [$32,233], Repayment of Interest on ST Borrowing [$54,494], Repayment of Loans & Interest [$422,342], Dept. of the Environment [$37,798]

Exhibit A-4

GENERAL FUND
SCHEDULE OF LOCAL SOURCE REVENUES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended September 30, 2012
($000s)

Source	Budget Original	Budget Revised	Actual	Variance Positive (Negative)
Taxes:				
Property:				
Real	$ 1,803,660	$ 1,838,290	$ 1,822,014	$ (16,276)
Personal	52,642	53,154	55,734	2,580
Public space rental	33,456	32,604	32,506	(98)
Total	1,889,758	1,924,048	1,910,254	(13,794)
Sales and use:				
General	1,089,553	1,045,942	1,111,044	65,102
Alcoholic beverages	10,917	5,517	5,166	(351)
Cigarette	37,376	37,068	35,603	(1,465)
Motor vehicles	36,439	38,000	43,986	5,986
Motor fuel tax	20,640	24,000	22,778	(1,222)
Total	1,194,925	1,150,527	1,218,577	68,050
Income and franchise:				
Individual income	1,396,714	1,446,449	1,490,694	44,245
Corporation franchise	245,098	237,534	302,924	65,390
Unincorporated business	132,268	150,404	162,972	12,568
Total	1,774,080	1,834,387	1,956,590	122,203
Gross receipts:				
Public utility	150,453	149,745	131,260	(18,485)
Toll telecommunication	62,873	60,820	58,604	(2,216)
Insurance companies	75,024	76,014	86,994	10,980
Health care providers	12,000	12,000	13,321	1,321
Baseball gross receipts	22,800	25,000	40,418	15,418
Health care related incomes	22,194	22,562	21,768	(794)
Total	345,344	346,141	352,365	6,224
Other:				
Deed recordation	147,712	156,889	159,283	2,394
Deed transfers	130,958	129,189	120,051	(9,138)
Inheritance and estate	35,000	50,000	102,996	52,996
Economic interests	10,000	25,000	21,735	(3,265)
Total	323,670	361,078	404,065	42,987
Total taxes	5,527,777	5,616,181	5,841,851	225,670
Licenses and Permits:				
Business licenses	34,750	37,567	41,969	4,402
Nonbusiness permits	28,607	36,529	35,748	(781)
Total	63,357	74,096	77,717	3,621
Fines and Forfeits	138,236	154,396	181,603	27,207
Charges for Services	47,987	61,029	73,795	12,766
Miscellaneous:				
Interest	6,000	2,000	17	(1,983)
Other	148,757	124,240	122,980	(1,260)
Total	154,757	126,240	122,997	(3,243)
Total Local Revenues	**5,932,114**	**6,031,942**	**6,297,963**	**266,021**
Transfers and Other sources:				
General obligation bonds	6,000	6,000	3,142	(2,858)
Fund balance released from restrictions	31,946	57,932	-	(57,932)
Interfund transfer	74,333	100,330	91,807	(8,523)
Total Transfers and Other Sources	**112,279**	**164,262**	**94,949**	**(69,313)**
Total Local Revenues and Sources	**$ 6,044,393**	**$ 6,196,204**	**$ 6,392,912**	**$ 196,708**

See Accompanying Independent Auditors' Report.

Exhibit A-5

GENERAL FUND
SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES BY SOURCE OF FUNDS
Year Ended September 30, 2012
($000s)

	Local Source				Other Source				Totals			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Revenues and Sources:												
Taxes												
Property	$ 1,889,758	$ 1,924,048	$ 1,910,254	$ (13,794)	$ -	$ -	$ -	$ -	$ 1,889,758	$ 1,924,048	$ 1,910,254	$ (13,794)
Sales and uses	1,194,925	1,150,527	1,218,577	68,050	-	-	-	-	1,194,925	1,150,527	1,218,577	68,050
Income and franchise	1,774,080	1,834,387	1,956,590	122,203	-	-	-	-	1,774,080	1,834,387	1,956,590	122,203
Gross receipts and other taxes	669,014	707,219	756,430	49,211	-	-	-	-	669,014	707,219	756,430	49,211
Total taxes	5,527,777	5,616,181	5,841,851	225,670	-	-	-	-	5,527,777	5,616,181	5,841,851	225,670
Licenses and permits	63,357	74,096	77,717	3,621	-	-	-	-	63,357	74,096	77,717	3,621
Fines and forfeits	138,236	154,396	181,603	27,207	-	-	-	-	138,236	154,396	181,603	27,207
Charges for services	47,987	61,029	73,795	12,766	-	-	-	-	47,987	61,029	73,795	12,766
Miscellaneous	154,757	126,240	122,997	(3,243)	-	-	-	-	154,757	126,240	122,997	(3,243)
Other	-	-	-	-	410,079	392,442	421,590	29,148	410,079	392,442	421,590	29,148
General obligation bonds	6,000	6,000	3,142	(2,858)	-	-	-	-	6,000	6,000	3,142	(2,858)
Fund balance released from restrictions	31,946	57,932	-	(57,932)	11,798	11,798	5,769	(6,029)	43,744	69,730	5,769	(63,961)
Interfund transfer-from lottery and games	68,500	63,257	66,404	3,147	-	-	-	-	68,500	63,257	66,404	3,147
Interfund transfer-others	5,833	37,073	25,403	(11,670)	-	-	-	-	5,833	37,073	25,403	(11,670)
Total Revenues and Sources	6,044,393	6,196,204	6,392,912	196,708	421,877	404,240	427,359	23,119	6,466,270	6,600,444	6,820,271	219,827
Expenditures and Uses:												
Governmental direction and support	492,109	506,793	497,727	9,066	43,996	26,727	22,804	3,923	536,105	533,520	520,531	12,989
Economic development and regulation	132,791	129,909	123,759	6,150	128,073	132,823	111,590	21,233	260,864	262,732	235,349	27,383
Public safety and justice	926,654	917,097	914,121	2,976	47,180	40,988	34,844	6,144	973,834	958,085	948,965	9,120
Public education system	1,534,237	1,432,932	1,427,606	5,326	23,488	20,546	1,987	18,559	1,557,725	1,453,478	1,429,593	23,885
Public education AY13 expenditure	-	137,743	137,743	-	-	-	-	-	-	137,743	137,743	-
Human support services	1,553,150	1,605,798	1,588,630	17,168	23,995	25,748	21,558	4,190	1,577,145	1,631,546	1,610,188	21,358
Public works	452,195	463,077	458,477	4,600	78,321	89,228	76,609	12,619	530,516	552,305	535,086	17,219
Wilson building	3,968	3,968	3,458	510	-	-	-	-	3,968	3,968	3,458	510
Repay bonds and interest	438,072	410,253	409,855	398	4,372	4,372	4,372	-	442,444	414,625	414,227	398
Repay revenue bonds and interest	6,691	5,574	5,574	-	-	-	-	-	6,691	5,574	5,574	-
Bond fiscal charge	6,000	6,000	4,348	1,652	-	-	-	-	6,000	6,000	4,348	1,652
Interest on short term borrowing	4,500	2,572	2,572	-	-	-	-	-	4,500	2,572	2,572	-
Certificates of participation	32,534	32,278	32,233	45	-	-	-	-	32,534	32,278	32,233	45
Settlements and judgments fund	21,477	24,337	24,337	-	-	-	-	-	21,477	24,337	24,337	-
Baseball tax transfer	45,545	55,231	55,231	-	-	-	-	-	45,545	55,231	55,231	-
Convention center transfer	100,718	101,093	101,093	-	-	-	-	-	100,718	101,093	101,093	-
Highway trust transfer	20,640	23,020	22,778	242	16,654	16,654	16,654	-	37,294	39,674	39,432	242
TIF and pilot transfer	65,466	54,494	54,494	-	-	-	-	-	65,466	54,494	54,494	-
Equipment lease operating	53,617	49,804	49,791	13	-	-	-	-	53,617	49,804	49,791	13
Emergency and contingency reserve	3,000	-	-	-	-	-	-	-	3,000	-	-	-
Pay-go capital	-	33,730	33,730	-	37,448	47,148	47,148	-	37,448	80,878	80,878	-
Schools modernization fund	8,621	8,621	8,621	-	-	-	-	-	8,621	8,621	8,621	-
District retiree health contribution	109,800	109,800	109,800	-	-	-	-	-	109,800	109,800	109,800	-
Non-departmental agency	4,000	2,500	-	2,500	18,350	6	-	6	22,350	2,506	-	2,506
Total Expenditures and Uses	6,015,785	6,116,624	6,065,978	50,646	421,877	404,240	337,566	66,674	6,437,662	6,520,864	6,403,544	117,320
Excess of Revenues and Sources Over Expenditures and Uses	$ 28,608	$ 79,580	$ 326,934	$ 247,354	$ -	$ -	$ 89,793	$ 89,793	$ 28,608	$ 79,580	$ 416,727	$ 337,147

See Accompanying Independent Auditors' Report.

Exhibit A-6

GENERAL FUND
SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES
Year Ended September 30, 2012
($000s)

	Original Budget	Revisions	Revised Budget	Actual	Variance (Actual To Original Budget)
Revenues and Sources:					
Taxes:					
Property	$ 1,889,758	$ 34,290	$ 1,924,048	$ 1,910,254	$ 20,496
Sales and use	1,194,925	(44,398)	1,150,527	1,218,577	23,652
Income and franchise	1,774,080	60,307	1,834,387	1,956,590	182,510
Other taxes	669,014	38,205	707,219	756,430	87,416
Total taxes	5,527,777	88,404	5,616,181	5,841,851	314,074
Licenses and permits	63,357	10,739	74,096	77,717	14,360
Fines and forfeits	138,236	16,160	154,396	181,603	43,367
Charges for services	47,987	13,042	61,029	73,795	25,808
Miscellaneous	154,757	(28,517)	126,240	122,997	(31,760)
Other	410,079	(17,637)	392,442	421,590	11,511
General obligation bonds	6,000	-	6,000	3,142	(2,858)
Fund balance released from restriction	43,744	25,986	69,730	5,769	(37,975)
Interfund transfer-from lottery and games	68,500	(5,243)	63,257	66,404	(2,096)
Interfund transfer-others	5,833	31,240	37,073	25,403	19,570
Total Revenues and Sources	6,466,270	134,174	6,600,444	6,820,271	354,001
Expenditures and Uses:					
Governmental direction and support	536,105	(2,585)	533,520	520,531	15,574
Economic development and regulation	260,864	1,868	262,732	235,349	25,515
Public safety and justice	973,834	(15,749)	958,085	948,965	24,869
Public education system	1,557,725	(104,247)	1,453,478	1,429,593	128,132
Public education AY13 expenditure	-	137,743	137,743	137,743	(137,743)
Human support services	1,577,145	54,401	1,631,546	1,610,188	(33,043)
Public works	530,516	21,789	552,305	535,086	(4,570)
Wilson building	3,968	-	3,968	3,458	510
Repay bonds and interest	442,444	(27,819)	414,625	414,227	28,217
Repay revenue bonds and interest	6,691	(1,117)	5,574	5,574	1,117
Bond fiscal charge	6,000	-	6,000	4,348	1,652
Interest on short term borrowing	4,500	(1,928)	2,572	2,572	1,928
Certificates of participation	32,534	(256)	32,278	32,233	301
Settlements and judgments fund	21,477	2,860	24,337	24,337	(2,860)
Baseball tax transfer	45,545	9,686	55,231	55,231	(9,686)
Convention center transfer	100,718	375	101,093	101,093	(375)
Highway trust transfer	37,294	2,380	39,674	39,432	(2,138)
TIF and pilot transfer	65,466	(10,972)	54,494	54,494	10,972
Equipment lease operating	53,617	(3,813)	49,804	49,791	3,826
Emergency and contingency reserve	3,000	(3,000)	-	-	3,000
Pay-go capital	37,448	43,430	80,878	80,878	(43,430)
Schools modernization fund	8,621	-	8,621	8,621	-
District retiree health contribution	109,800	-	109,800	109,800	-
Non-departmental agency	22,350	(19,844)	2,506	-	22,350
Total Expenditures and Uses	6,437,662	83,202	6,520,864	6,403,544	34,118
Excess of Revenues and Sources Over Expenditures and Uses	**$ 28,608**	**$ 50,972**	**$ 79,580**	**$ 416,727**	**$ 388,119**

See Accompanying Independent Auditors' Report.

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NONMAJOR GOVERNMENTAL FUNDS
(Combining Statements)

Special Revenue Funds

The **Tax Increment Financing (TIF) Program Fund** is used to account for activities relating to various TIF development initiatives. These activities support new economic development projects.

The **Tobacco Settlement Financing Corporation (TSFC) Fund** is used to account for the tobacco litigation settlement activities of the District of Columbia.

The **PILOT Special Revenue Fund** is used to account for the proceeds of pilot revenue to finance the development costs associated with various District development projects.

The **Baseball Special Revenue Fund** is used to account for the proceeds of baseball related revenue sources that are legally restricted to expenditures for baseball project purposes.

Debt Service Fund

The **Debt Service Fund** is used to account for the payment of ballpark revenue bonds.

Capital Project Fund

The **Highway Trust Fund** is used to account for the motor vehicle fuel taxes and other fees collected and used by the District for highway projects.

Exhibit B-1

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2012
(With Comparative Totals at September 30, 2011)
($000s)

	Special Revenue Funds					Capital Project Fund	Totals	
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	PILOT Special Revenue	Baseball Project	Debt Service Fund	Highway Trust	2012	2011
ASSETS								
Current Assets:								
Receivables (net of allowances for uncollectibles):								
Taxes	$ -	$ -	$ -	$ 1,741	$ -	$ 1,885	$ 3,626	$ 2,539
Accounts	17	28,185	-	-	-	-	28,202	30,056
Due from other District entities	-	-	-	666	-	-	666	666
Interfund	6,292	-	1,155	2,659	-	171	10,277	13,528
Restricted cash and cash equivalents	42,033	55,243	43,988	78,410	-	55,639	275,313	337,388
Total assets	$ 48,342	$ 83,428	$ 45,143	$ 83,476	$ -	$ 57,695	$ 318,084	$ 384,177
LIABILITIES AND FUND BALANCE								
Current Liabilities:								
Payables:								
Accounts	$ 1,889	$ -	$ -	$ 294	$ -	$ 7,784	9,967	$ 7,815
Compensation payable	-	-	-	-	-	143	143	124
Deferred revenue	-	-	-	411	-	158	569	925
Due to other funds	-	-	-	10,636	-	5,141	15,777	15,488
Due to other District entities	-	-	-	5,000	-	-	5,000	-
Accrued liabilities	-	285	-	1	-	-	286	101
Total liabilities	1,889	285	-	16,342	-	13,226	31,742	24,453
Fund Balance:								
Restricted	46,453	83,143	45,143	67,134	-	44,469	286,342	359,724
Total fund balances	46,453	83,143	45,143	67,134	-	44,469	286,342	359,724
Total liabilities and fund balances	$ 48,342	$ 83,428	$ 45,143	$ 83,476	$ -	$ 57,695	$ 318,084	$ 384,177

See Accompanying Independent Auditors' Report.

Exhibit B-2

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)
($000s)

	Special Revenue Funds						Totals	
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	PILOT Special Revenue	Baseball Project	Debt Service Fund	Capital Project Fund Highway Trust	2012	2011
Revenues:								
Property taxes	$ 18,576	$ -	$ 13,669	$ -	$ -	$ -	$ 32,245	$ 30,560
Sales and use taxes	22,249	-	-	12,592	-	-	34,841	54,891
Gross receipts taxes	-	-	-	42,638	-	-	42,638	44,582
Interest	-	2,284	19	74	-	15	2,392	2,480
Tobacco settlement revenue	-	38,325	-	-	-	-	38,325	37,211
Other	2	-	14,437	5,000	-	-	19,439	32,589
Total revenues	40,827	40,609	28,125	60,304	-	15	169,880	202,313
Expenditures:								
Governmental direction and support	48,492	416	2,633	6,214	-	-	57,755	36,002
Capital outlay	-	-	-	-	-	38,829	38,829	34,240
Bond principal payment	8,034	13,070	14,451	-	4,915	-	40,470	32,599
Interest	6,452	28,880	5,804	-	26,349	-	67,485	67,600
Fiscal charges	1,098	-	-	-	-	-	1,098	-
Other	-	-	-	-	-	-	-	8,715
Total expenditures	64,076	42,366	22,888	6,214	31,264	38,829	205,637	179,156
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(23,249)	(1,757)	5,237	54,090	(31,264)	(38,814)	(35,757)	23,157
Other Financing Sources (Uses):								
Bond issuance	38,650	-	-	-	-	-	38,650	-
Refunding debt issuance	52,365	-	-	-	-	-	52,365	-
Premium on sale of bonds	5,677	-	-	-	-	-	5,677	-
Payment to refunded bond escrow agent	(57,480)	-	-	-	-	-	(57,480)	-
Transfers in	2,595	-	-	-	31,264	39,432	73,291	87,302
Transfers out	(3,551)	-	(104,677)	(41,900)	-	-	(150,128)	(79,357)
Total other financing sources (uses)	38,256	-	(104,677)	(41,900)	31,264	39,432	(37,625)	7,945
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	15,007	(1,757)	(99,440)	12,190	-	618	(73,382)	31,102
Fund Balances at October 1	31,446	84,900	144,583	54,944	-	43,851	359,724	328,622
Fund Balances at September 30	$ 46,453	$ 83,143	$ 45,143	$ 67,134	$ -	$ 44,469	$ 286,342	$ 359,724

See Accompanying Independent Auditors' Report

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FIDUCIARY FUNDS
(Combining Statements)

The Fiduciary Funds are used to account for assets held by the District in a trustee or agency capacity. These assets cannot be used to support the District's programs.

The **Pension Trust Funds** are used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for police officers, fire fighters and public school teachers of the District. Resources are contributed by employees and by the District and federal government at amounts determined by an annual actuarial study. The funds are administered by a thirteen member Retirement Board. Three of these members are appointed by the Mayor and three by the Council. The other members include one each active and retired police officers, fire fighters, and teachers. The administrative costs of the board are accounted for in the funds.

The **Other Post Employment Benefit (OPEB) Trust Fund** is used to account for the receipt of monies for post-employment healthcare and life insurance benefits provided under the Post-Retirement Health and Life Insurance Benefit Plan. Annual District contributions are actuarially determined and paid accordingly. No employee contributions are required prior to retirement to fund the OPEB plan; however, retirees make contributions as required by the associated substantive plan.

The **Agency Funds** are used to account for refundable deposits required of various licensees, monies held in escrow as an agent for individuals, private organizations or other governments.

Exhibit C-1

PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2012
(With Comparative Totals at September 30, 2011)
($000s)

	Pension Trust Funds		Other Postemployment Benefits (OPEB)	Totals	
	Police & Fire	Teachers	Trust Fund	2012	2011
ASSETS					
Current Assets:					
Cash and cash equivalents - restricted	$ 54,888	$ 19,628	$ 129,303	$ 203,819	$ 246,025
Investments - restricted	3,666,044	1,498,968	567,635	5,732,647	4,906,883
Collateral from securities lending transaction	68,602	28,050	-	96,652	416,288
Receivables:					
Due from federal government	1,124	482	-	1,606	1,051
Benefit contribution	1,731	1,601	-	3,332	3,312
Accounts receivable - foreign exchanges	-	-	42,010	42,010	-
Due from other funds	-	-	-	-	3,000
Other current assets	102,458	41,892	5,309	149,659	146,966
Capital assets	2	1	-	3	9
Total assets	**3,894,849**	**1,590,622**	**744,257**	**6,229,728**	**5,723,534**
LIABILITIES					
Current Liabilities:					
Accounts payable	1,835	769	8,903	11,507	4,308
Accounts payable - foreign currency purchased	-	-	42,010	42,010	-
Securities lending	69,415	28,382	-	97,797	419,096
Due to other funds	1,438	616	-	2,054	2,573
Other current liabilities	140,307	57,369	-	197,676	317,892
Total liabilities	**212,995**	**87,136**	**50,913**	**351,044**	**743,869**
NET ASSETS					
Net Assets					
Held in trust for pension and OPEB benefits	**$ 3,681,854**	**$ 1,503,486**	**$ 693,344**	**$ 5,878,684**	**$ 4,979,665**

See Accompanying Independent Auditors' Report.

Exhibit C-2

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)
($000s)

	Pension Trust Funds		Other Postemployment Benefit Trust	Totals	
	Police & Fire	Teachers	Fund (OPEB)	2012	2011
Additions:					
Benefit contributions:					
Employer	$ 116,700	$ -	$ 109,800	$ 226,500	$ 221,400
Plan members	30,398	28,639	281	59,318	58,478
Investment income:					
From investment activities					
Net appreciation in fair value of investments	406,677	170,932	69,120	646,729	38,506
Other revenue	1,584	672	-	2,256	2,051
Interest and dividends	51,422	21,316	10,263	83,001	95,317
Less - investment expenses	(6,315)	(2,707)	(3,429)	(12,451)	(12,115)
Net income from investing activities	453,368	190,213	75,954	719,535	123,759
From securities lending activities					
Securities lending income	1,498	630	-	2,128	2,734
Less: securities lending expenses	(401)	(169)	-	(570)	(868)
Net income from securities lending activities	1,097	461	-	1,558	1,866
Total net investment income	454,465	190,674	75,954	721,093	125,625
Total additions	601,563	219,313	186,035	1,006,911	405,503
Deductions:					
Benefit payments	40,458	53,659	3,944	98,061	83,419
Administrative expenses	6,718	2,880	233	9,831	9,885
Total deductions	47,176	56,539	4,177	107,892	93,304
Change in net assets	**554,387**	**162,774**	**181,858**	**899,019**	**312,199**
Net assets held in trust for pension and OPEB benefits:					
October 1	**3,127,467**	**1,340,712**	**511,486**	**4,979,665**	**4,667,466**
September 30	**$ 3,681,854**	**$ 1,503,486**	**$ 693,344**	**$ 5,878,684**	**$ 4,979,665**

See Accompanying Independent Auditors' Report.

Exhibit C-3

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended September 30, 2012
($000s)

	Balance October 1 2011	Additions	Deductions	Balance September 30 2012
ASSETS				
Cash and cash equivalents - restricted	$ 85,743	$ 12,643	$ 44,747	$ 53,639
Due from other funds	52	35	52	35
Other receivables	22,236	513	13,744	9,005
Total assets	$ 108,031	$ 13,191	$ 58,543	$ 62,679
LIABILITIES				
Accounts payable	$ 7,609	$ 1,816	$ 8,547	$ 878
Due to component units	-	352	12	340
Due to other funds	57	159	56	160
Other current liabilities	100,365	4,236	43,300	61,301
Total liabilities	$ 108,031	$ 6,563	$ 51,915	$ 62,679

See Accompanying Independent Auditors' Report.

SUPPORTING SCHEDULES

Supporting schedules are financial presentations used to aggregate and present in greater detail information contained in the financial statements and to present additional information not disclosed in the basic financial statements.

Exhibit D-1

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS EXPENDITURES
Year Ended September 30, 2012
($000s)

	Budget			
	Original	Revised	Actual	Variance
Governmental direction and support:				
Council of the district of columbia	$ 19,026	$ 18,542	$ 18,542	$ -
Office of the d.c. auditor	3,686	3,686	3,361	325
Advisory neighborhood commissions	889	889	744	145
Office of the mayor	12,353	12,908	12,060	848
Office of the secretary	2,905	3,823	3,783	40
Office of the inspector general	15,393	15,091	13,976	1,115
Medical liability captive	3,182	775	177	598
City administrator / deputy mayor	3,283	3,058	2,847	211
DC office of personnel	7,547	8,831	8,660	171
Office of finance & resource mgmt	19,294	19,218	16,536	2,682
Department of general services	211,932	215,278	213,152	2,126
Office of contracting & procurement	8,698	11,541	11,222	319
Contract appeals board	796	846	835	11
Office of the chief financial officer	119,574	104,922	104,875	47
Office of the attorney general	78,042	75,092	72,703	2,389
Office of risk management	2,728	2,378	2,196	182
Office of disability rights	1,616	1,558	1,529	29
Office of chief technology officer	46,077	47,275	45,311	1,964
Board of elections and ethics	4,418	10,616	5,882	4,734
Office of campaign finance	1,407	1,423	1,394	29
Public employee relations board	951	1,151	1,114	37
Office of employee appeals	1,360	1,368	1,343	25
Metropolitan wash council of governments	396	396	396	-
District of columbia office of open government	350	200	87	113
Section 103	-	4,896	4,896	-
Total governmental direction and support	**565,903**	**565,761**	**547,621**	**18,140**
Economic development and regulation:				
Business services and economic development	16,219	23,790	17,748	6,042
Office of local business development	5,213	5,168	5,041	127
Office of municipal planning	6,726	7,800	7,179	621
Office of zoning	2,544	2,544	2,521	23
Dept of housing and community development	99,953	62,419	55,882	6,537
Office of motion picture and television development	726	761	720	41
Department of employment services	124,767	97,015	87,577	9,438
Board of real property assess & appeals	1,631	1,132	887	245
Dept of consumer and regulatory affairs	26,031	25,825	24,507	1,318
Alcoholic beverage regulation administration	5,964	5,998	4,887	1,111
Office of cable tv	8,525	6,325	5,605	720
Commission on arts & humanities	4,798	4,906	4,714	192
Housing authority subsidy	4,000	4,000	4,000	-
Business improvement districts transfer	23,000	23,000	22,303	697
Housing production trust fund subsidy	35,109	39,012	39,012	-
Office of tenant advocate	1,924	2,112	1,949	163
Public service commission	10,376	10,561	9,809	752
Insurance regulation	17,042	19,263	14,569	4,694
Office of people's counsel	5,447	5,447	4,986	461
Total economic development and regulation	**399,995**	**347,078**	**313,896**	**33,182**
Public safety and justice:				
Metropolitan police department	457,207	454,288	453,924	364
Fire and emergency medical services	195,422	192,725	192,194	531
Police and firefighter retirement system	116,700	116,700	116,700	-
Office of administrative hearings	7,637	7,640	7,226	414
Criminal justice coordinating council	1,995	3,149	1,765	1,384
Department of corrections	135,949	127,859	126,114	1,745
Chief medical officer	7,569	7,419	7,348	71
Forensic health & science lab	1,551	1,401	1,400	1
DC national guard	6,639	5,620	5,582	38
Emergency management agency	137,448	118,578	114,621	3,957
Commission on judicial disabilities and tenure	295	333	303	30
Judicial nomination commission	205	249	232	17
Citizen complaint review board	2,051	1,927	1,909	18
Office of unified communications	39,844	38,924	34,812	4,112
Office of victim services	-	-	(40)	40
Office of justice grant administration	-	-	(402)	402
Advisory commission on sentencing	888	888	888	-
Office of deputy mayor for public safety and justice	22,506	22,500	18,942	3,558
Total public safety and justice	**1,133,906**	**1,100,200**	**1,083,518**	**16,682**

(Continued)

Exhibit D-1

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS EXPENDITURES
Year Ended September 30, 2012
($000s)

	Budget			
	Original	Revised	Actual	Variance
Public education system:				
District of columbia public schools	673,809	716,417	685,979	30,438
AY13 public school advance appropriations		4,434	4,434	-
Public charter schools	483,667	374,805	374,804	1
AY13 public charter school advance appropriations		133,309	133,309	-
Teachers' retirement system	3,000	3,000	3,000	-
University of the district of columbia	64,181	67,362	67,362	-
State education office	356,531	374,861	357,832	17,029
DC public library	35,997	37,063	36,972	91
DC public charter school board	3,490	3,490	1,065	2,425
Special education training	88,760	93,067	93,059	8
Non-public tuition	150,237	120,303	119,622	681
Department of education	1,912	1,857	1,677	180
Total public education system	1,861,584	1,929,968	1,879,115	50,853
Human support services:				
Department of human services	332,962	331,447	309,960	21,487
Department of health	240,352	254,403	244,455	9,948
Department of parks and recreation	33,573	33,903	33,212	691
DC office on aging	24,194	24,649	23,139	1,510
Unemployment compensation fund	6,512	12,212	12,203	9
Disability compensation fund	19,658	27,988	27,988	-
Office of human rights	2,379	2,590	2,585	5
Office on latino affairs	2,666	2,666	2,643	23
Children investment trust	3,000	3,989	3,989	-
Child and family services	253,745	237,873	233,549	4,324
Dept of mental health	168,522	172,480	171,163	1,317
Asian and pacific islander affairs	768	768	762	6
Office of veteran affairs	373	376	347	29
Depart of youth rehab services	106,899	108,787	108,132	655
Department on disability services	91,951	92,734	92,026	708
Department of health care finance	2,197,245	2,269,004	2,253,569	15,435
Deputy mayor for health and human services	698	628	622	6
Not-for-profit hospital corp	-	7,700	7,700	-
Total human support services	3,485,497	3,584,197	3,528,044	56,153
Public works:				
Department of public works	103,081	108,903	106,874	2,029
Department of transportation	128,121	130,767	128,793	1,974
Taxi cab commission	1,580	2,626	2,452	174
Department of motor vehicles	33,066	40,276	35,957	4,319
Washington metro area transit commission	126	126	126	-
Mass transit subsidies	218,088	225,626	221,339	4,287
District depart. of environment	84,889	77,449	69,792	7,657
Total public works	568,951	585,773	565,333	20,440
Other:				
Repayment of loans and interest	442,444	434,902	434,384	518
Bond fiscal charges paid from bond proceeds	6,000	6,000	4,348	1,652
Repayment of interest on short-term borrowing	4,500	2,572	2,572	-
Settlements and judgments fund	21,477	24,337	24,337	-
Wilson building	3,968	3,968	3,458	510
Schools modernization fund	8,621	8,621	8,621	-
District retiree health contribution	109,800	109,800	109,800	-
Repayment of revenue bonds	6,691	5,574	5,574	-
Certificate of participation	32,534	32,278	32,233	45
Convention center transfer dedicated taxes	100,718	101,093	101,093	-
Highway trust fund transfer	37,294	39,674	39,432	242
Baseball dedicated tax transfer	45,545	55,231	55,231	-
TIF and pilot transfer	65,466	54,494	54,494	-
Emergency planning and security costs	14,900	11,072	9,609	1,463
Equipment lease operating	53,617	49,804	49,791	13
Emergency and contingency reserve funds	3,000	-	-	-
Pay-go capital	37,448	80,878	80,878	-
Non-departmental	22,350	2,506	-	2,506
DC retirement board	30,338	30,338	-	30,338
Housing finance agency	8,884	8,884	-	8,884
Total other	1,055,595	1,062,026	1,015,855	46,171
Total	$ 9,071,431	$ 9,175,003	$ 8,933,382	$ 241,621

See Accompanying Independent Auditors' Report.

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2012
($000s)

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Governmental direction and support:								
Council of the district of columbia	$ 19,026	$ 18,542	$ 18,542	$ -	$ -	$ -	$ -	$ -
Office of the d.c. auditor	3,686	3,686	3,361	325	-	-	-	-
Advisory neighborhood commissions	889	889	744	145	-	-	-	-
Office of the mayor	8,259	8,170	7,998	172	4,093	4,725	4,050	675
Office of the secretary	2,206	2,890	2,890	-	-	-	-	-
Office of the inspector general	13,048	13,048	11,932	1,116	2,346	2,044	2,044	-
Medical liability captive	2,584	177	177	-	-	-	-	-
City administrator / deputy mayor	3,283	3,058	2,847	211	-	-	-	-
DC office of personnel	7,270	8,554	8,392	162	-	-	-	-
Office of finance & resource mgmt	19,068	19,068	16,536	2,532	-	-	-	-
Department of general services	205,426	210,566	208,936	1,630	-	-	-	-
Office of contracting & procurement	8,698	11,541	11,222	319	-	-	-	-
Contract appeals board	796	846	835	11	-	-	-	-
Office of the chief financial officer	94,642	95,053	95,011	42	-	563	563	-
Office of the attorney general	56,661	56,531	54,970	1,561	19,613	16,837	16,837	-
Office of risk management	2,728	2,378	2,196	182	-	-	-	-
Office of disability rights	952	952	924	28	664	606	606	-
Office of chief technology officer	34,249	35,913	35,799	114	2,788	2,322	2,268	54
Board of elections and ethics	4,268	5,591	5,278	313	150	5,025	604	4,421
Office of campaign finance	1,313	1,329	1,301	28	-	-	-	-
Public employee relations board	951	1,151	1,114	37	-	-	-	-
Office of employee appeals	1,360	1,368	1,343	25	-	-	-	-
Metropolitan wash council of governments	396	396	396	-	-	-	-	-
District of columbia office of open government	350	200	87	113	-	-	-	-
Section 103	-	4,896	4,896	-	-	-	-	-
Total governmental direction and support	**492,109**	**506,793**	**497,727**	**9,066**	**29,654**	**32,122**	**26,972**	**5,150**
Economic development and regulation:								
Business services and economic development	8,239	9,711	9,687	24	3,000	2,098	1,959	139
Office of local business development	4,852	4,919	4,792	127	361	250	249	1
Office of municipal planning	6,246	6,730	6,111	619	450	741	739	2
Office of zoning	2,544	2,544	2,521	23	-	-	-	-
Dept of housing and community development	12,221	12,363	8,153	4,210	79,934	42,226	41,652	574
Office of motion picture and television development	671	671	637	34	-	-	-	-
Department of employment services	40,654	31,953	31,387	566	54,052	35,001	31,691	3,310
Board of real property assess & appeals	1,631	1,132	887	245	-	-	-	-
Dept of consumer and regulatory affairs	10,041	9,969	9,935	34	-	-	-	-
Alcoholic beverage regulation administration	739	773	761	12	-	-	-	-
Office of cable tv	-	-	-	-	-	-	-	-
Commission on arts & humanities	3,920	4,020	3,927	93	779	787	787	-
Housing authority subsidy	4,000	4,000	4,000	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	-	-	-	-
Housing production trust fund subsidy	35,109	39,012	39,012	-	-	-	-	-
Office of tenant advocate	1,924	2,112	1,949	163	-	-	-	-
Public service commission	-	-	-	-	475	590	562	28
Insurance regulation	-	-	-	-	-	2,127	476	1,651
Office of people's counsel	-	-	-	-	-	-	-	-
Total economic development and regulation	**132,791**	**129,909**	**123,759**	**6,150**	**139,051**	**83,820**	**78,115**	**5,705**
Public safety and justice:								
Metropolitan police department	442,071	443,421	443,372	49	5,683	5,606	5,520	86
Fire and emergency medical services	193,902	189,377	188,903	474	-	1,828	1,825	3
Police and firefighter retirement system	116,700	116,700	116,700	-	-	-	-	-
Office of administrative hearings	7,637	7,562	7,148	414	-	78	78	-
Criminal justice coordinating council	195	195	187	8	1,800	2,954	1,578	1,376
Department of corrections	115,294	108,819	108,219	600	359	521	426	95
Chief medical officer	7,569	7,419	7,348	71	-	-	-	-
Forensic health & science lab	1,551	1,401	1,400	1	-	-	-	-
DC national guard	2,270	2,299	2,286	13	4,369	3,322	3,296	26
Emergency management agency	1,829	1,848	1,846	2	135,619	116,730	112,775	3,955
Commission on judicial disabilities and tenure	-	-	-	-	295	333	303	30
Judicial nomination commission	-	-	-	-	205	249	232	17
Citizen complaint review board	2,051	1,926	1,909	17	-	-	-	-
Office of unified communications	26,536	26,586	26,195	391	-	-	-	-
Office of victim services	-	-	-	-	-	-	(40)	40
Office of justice grant administration	-	-	-	-	-	-	(402)	402
Advisory commission on sentencing	888	888	888	-	-	-	-	-
Office of deputy mayor for public safety and justice	8,161	8,656	7,720	936	10,462	10,061	8,839	1,222
Total public safety and justice	**926,654**	**917,097**	**914,121**	**2,976**	**158,792**	**141,682**	**134,430**	**7,252**

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2012
($000s)

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Governmental direction and support:								
Council of the district of columbia	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Office of the d.c. auditor	-	-	-	-	-	-	-	-
Advisory neighborhood commissions	-	-	-	-	-	-	-	-
Office of the mayor	-	12	12	-	-	-	-	-
Office of the secretary	-	7	6	1	699	926	887	39
Office of the inspector general	-	-	-	-	-	-	-	-
Medical liability captive	-	-	-	-	598	598	-	598
City administrator / deputy mayor	-	-	-	-	-	-	-	-
DC office of personnel	-	-	-	-	277	277	268	9
Office of finance & resource mgmt	-	-	-	-	226	150	-	150
Department of general services	-	-	-	-	6,506	4,711	4,215	496
Office of contracting & procurement	-	-	-	-	-	-	-	-
Contract appeals board	-	-	-	-	-	-	-	-
Office of the chief financial officer	-	-	-	-	24,932	9,307	9,301	6
Office of the attorney general	144	100	100	-	1,624	1,624	795	829
Office of risk management	-	-	-	-	-	-	-	-
Office of disability rights	-	-	-	-	-	-	-	-
Office of chief technology officer	-	-	-	-	9,040	9,040	7,244	1,796
Board of elections and ethics	-	-	-	-	-	-	-	-
Office of campaign finance	-	-	-	-	94	94	94	-
Public employee relations board	-	-	-	-	-	-	-	-
Office of employee appeals	-	-	-	-	-	-	-	-
Metropolitan wash council of governments	-	-	-	-	-	-	-	-
District of columbia office of open government	-	-	-	-	-	-	-	-
Secton 103	-	-	-	-	-	-	-	-
Total governmental direction and support	144	119	118	1	43,996	26,727	22,804	3,923
Economic development and regulation:								
Business services and economic development	-	-	-	-	4,979	11,979	6,102	5,877
Office of local business development	-	-	-	-	-	-	-	-
Office of municipal planning	-	250	250	-	30	80	79	1
Office of zoning	-	-	-	-	-	-	-	-
Dept of housing and community development	-	32	18	14	7,798	7,798	6,058	1,740
Office of motion picture and television development	-	-	-	-	55	90	83	7
Department of employment services	80	80	-	80	29,981	29,981	24,498	5,483
Board of real property assess & appeals	-	-	-	-	-	-	-	-
Dept of consumer and regulatory affairs	-	-	-	-	15,990	15,855	14,572	1,283
Alcoholic beverage regulation administration	-	-	-	-	5,225	5,225	4,127	1,098
Office of cable tv	-	-	-	-	8,525	6,325	5,605	720
Commission on arts & humanities	-	-	-	-	100	100	-	100
Housing authority subsidy	-	-	-	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	23,000	23,000	22,303	697
Housing production trust fund subsidy	-	-	-	-	-	-	-	-
Office of tenant advocate	-	-	-	-	-	-	-	-
Public service commission	-	10	10	-	9,901	9,961	9,238	723
Insurance regulation	-	154	154	-	17,042	16,982	13,939	3,043
Office of people's counsel	-	-	-	-	5,447	5,447	4,986	461
Total economic development and regulation	80	526	432	94	128,073	132,823	111,590	21,233
Public safety and justice:								
Metropolitan police department	-	123	123	-	9,452	5,138	4,910	228
Fire and emergency medical services	-	-	-	-	1,520	1,520	1,465	55
Police and firefighter retirement system	-	-	-	-	-	-	-	-
Office of administrative hearings	-	-	-	-	-	-	-	-
Criminal justice coordinating council	-	-	-	-	-	-	-	-
Department of corrections	-	-	-	-	20,297	18,519	17,469	1,050
Chief medical officer	-	-	-	-	-	-	-	-
Forensic health & science lab	-	-	-	-	-	-	-	-
DC national guard	-	-	-	-	-	-	-	-
Emergency management agency	-	-	-	-	-	-	-	-
Commission on judicial disabilities and tenure	-	-	-	-	-	-	-	-
Judicial nomination commission	-	-	-	-	-	-	-	-
Citizen complaint review board	-	1	-	1	-	-	-	-
Office of unified communications	1,280	309	-	309	12,028	12,028	8,617	3,411
Office of victim services	-	-	-	-	-	-	-	-
Office of justice grant administration	-	-	-	-	-	-	-	-
Advisory commission on sentencing	-	-	-	-	-	-	-	-
Office of deputy mayor for public safety and justice	-	-	-	-	3,883	3,783	2,383	1,400
Total public safety and justice	1,280	433	123	310	47,180	40,988	34,844	6,144

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2012
($000s)

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Public education system:								
District of columbia public schools	611,817	634,821	634,445	376	29,045	30,167	27,073	3,094
AY13 public school advance appropriations		4,434	4,434	-		-	-	-
Public charter schools	483,667	374,805	374,804	1	-	-	-	-
AY13 public charter school advance appropriations		133,309	133,309	-		-	-	-
Teacher's retirement system	3,000	3,000	3,000	-	-	-	-	-
University of the district of columbia	64,181	67,362	67,362	-	-	-	-	-
State education office	95,122	101,293	97,263	4,030	252,599	267,223	260,246	6,977
DC public library	34,465	35,348	35,309	39	948	1,294	1,294	-
DC public charter school board	1,076	1,076	1,065	11	-	-	-	-
Special education tran	88,760	93,067	93,059	8	-	-	-	-
Non-public tuition	150,237	120,303	119,622	681	-	-	-	-
Department of education	1,912	1,857	1,677	180	-	-	-	-
Total public education system	1,534,237	1,570,675	1,565,349	5,326	282,592	298,684	288,613	10,071
Human support services:								
Department of human services	164,426	182,255	178,404	3,851	167,461	148,397	131,364	17,033
Department of health	90,672	91,736	89,864	1,872	141,706	154,784	148,120	6,664
Department of parks and recreation	32,174	32,231	31,739	492	-	177	177	-
DC office on aging	16,068	17,228	16,719	509	8,126	7,420	6,419	1,001
Unemployment compensation fund	6,512	12,212	12,203	9	-	-	-	-
Disability compensation fund	19,658	27,988	27,988	-	-	-	-	-
Office of human rights	2,148	2,172	2,169	3	231	416	416	-
Office on latino affairs	2,666	2,666	2,643	23	-	-	-	-
Children investment trust	3,000	3,989	3,989	-	-	-	-	-
Child and family services	191,596	177,783	174,538	3,245	61,382	59,749	58,767	982
Dept of mental health	157,512	159,048	158,714	334	6,806	7,952	7,479	473
Asian and pacific islander affairs	768	768	762	6	-	-	-	-
Office of veteran affairs	373	373	347	26	-	-	-	-
Depart of youth rehab services	106,899	106,069	105,431	638	-	2,718	2,702	16
Department on disability services	53,344	55,434	55,099	335	31,707	28,800	28,799	1
Department of health care finance	704,636	725,518	719,699	5,819	1,490,585	1,541,462	1,533,135	8,327
Deputy mayor for health and human services	698	628	622	6	-	-	-	-
Not-for-profit hospital corp	-	7,700	7,700	-	-	-	-	-
Total human support services	1,553,150	1,605,798	1,588,630	17,168	1,908,004	1,951,875	1,917,378	34,497
Public works:								
Department of public works	97,219	101,640	101,638	2	-	-	-	-
Department of transportation	119,379	119,657	119,485	172	4,127	3,423	3,377	46
Taxi cab commission	1,069	2,065	2,038	27	-	-	-	-
Department of motor vehicles	24,786	28,632	28,522	110	-	3,365	470	2,895
Washington metro area transit commission	126	126	126	-	-	-	-	-
Mass transit subsidies	193,459	194,541	190,254	4,287	-	-	-	-
District depart. of environment	16,157	16,416	16,414	2	34,158	26,495	26,215	280
Total public works	452,195	463,077	458,477	4,600	38,285	33,283	30,062	3,221
Other:								
Repayment of loans and interest	438,072	410,253	409,855	398	-	20,277	20,157	120
Bond fiscal charges paid from bond proceeds	6,000	6,000	4,348	1,652	-	-	-	-
Repayment of interest on short-term borrowing	4,500	2,572	2,572	-	-	-	-	-
Settlements and judgments fund	21,477	24,337	24,337	-	-	-	-	-
Wilson building	3,968	3,968	3,458	510	-	-	-	-
Schools modernization fund	8,621	8,621	8,621	-	-	-	-	-
District retiree health contribution	109,800	109,800	109,800	-	-	-	-	-
Repayment of revenue bonds	6,691	5,574	5,574	-	-	-	-	-
Certificate of participation	32,534	32,278	32,233	45	-	-	-	-
Convention center transfer-dedicated taxes	100,718	101,093	101,093	-	-	-	-	-
Highway trust fund transfer	20,640	23,020	22,778	242	-	-	-	-
Baseball dedicated tax transfer	45,545	55,231	55,231	-	-	-	-	-
TIF and pilot transfer	65,466	54,494	54,494	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	14,900	11,072	9,609	1,463
Equipment lease operating	53,617	49,804	49,791	13	-	-	-	-
Emergency and contingency reserve funds	3,000	-	-	-	-	-	-	-
Pay-go capital	-	33,730	33,730	-	-	-	-	-
Non-departmental	4,000	2,500	-	2,500	-	-	-	-
DC retirement board	-	-	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-	-	-
Total other	924,649	923,275	917,915	5,360	14,900	31,349	29,766	1,583
Total	$ 6,015,785	$ 6,116,624	$ 6,065,978	$ 50,646	$ 2,571,278	$ 2,572,815	$ 2,505,336	$ 67,479

See Accompanying Independent Auditors' Report.

Exhibit D-2

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS
Year Ended September 30, 2012
($000s)

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Public education system:								
District of columbia public schools	21,267	39,749	22,898	16,851	11,680	11,680	1,563	10,117
AY13 public school advance appropriations		-	-	-		-	-	-
Public charter schools	-	-	-	-	-	-	-	-
AY13 public charter school advance appropriations		-	-	-		-	-	-
Teacher's retirement system	-	-	-	-	-	-	-	-
University of the district of columbia	-	-	-	-	-	-	-	-
State education office	-	114	107	7	8,810	6,231	216	6,015
DC public library	-	200	161	39	584	221	208	13
DC public charter school board	-	-	-	-	2,414	2,414	-	2,414
Special education tran	-	-	-	-	-	-	-	-
Non-public tuition	-	-	-	-	-	-	-	-
Department of education	-	-	-	-	-	-	-	-
Total public education system	21,267	40,063	23,166	16,897	23,488	20,546	1,987	18,559
Human support services:								
Department of human services	-	20	20	-	1,075	775	173	602
Department of health	214	122	122	-	7,761	7,761	6,349	1,412
Department of parks and recreation	-	96	64	32	1,399	1,399	1,231	168
DC office on aging	-	-	-	-	-	-	-	-
Unemployment compensation fund	-	-	-	-	-	-	-	-
Disability compensation fund	-	-	-	-	-	-	-	-
Office of human rights	-	3	-	3	-	-	-	-
Office on latino affairs	-	-	-	-	-	-	-	-
Children investment trust	-	-	-	-	-	-	-	-
Child and family services	17	141	45	96	750	200	200	-
Dept of mental health	117	394	227	167	4,086	5,086	4,743	343
Asian and pacific islander affairs	-	-	-	-	-	-	-	-
Office of veteran affairs	-	-	-	-	-	3	-	3
Depart of youth rehab services	-	-	-	-	-	-	-	-
Department on disability services	-	-	-	-	6,900	8,500	8,128	372
Department of health care finance	-	-	-	-	2,024	2,024	734	1,290
Deputy mayor for health and human services	-	-	-	-	-	-	-	-
Not-for-profit hospital corp	-	-	-	-	-	-	-	-
Total human support services	348	776	478	298	23,995	25,748	21,558	4,190
Public works:								
Department of public works	-	-	-	-	5,862	7,262	5,236	2,026
Department of transportation	-	71	71	-	4,615	7,615	5,859	1,756
Taxi cab commission	-	-	-	-	511	561	414	147
Department of motor vehicles	-	-	-	-	8,280	8,280	6,965	1,315
Washington metro area transit commission	-	-	-	-	-	-	-	-
Mass transit subsidies	-	-	-	-	24,629	31,086	31,085	1
District depart. of environment	150	114	114	-	34,424	34,424	27,050	7,374
Total public works	150	185	185	-	78,321	89,228	76,609	12,619
Other:								
Repayment of loans and interest	-	-	-	-	4,372	4,372	4,372	-
Bond fiscal charges paid from bond proceeds	-	-	-	-	-	-	-	-
Repayment of interest on short-term borrowing	-	-	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-	-	-
Wilson building	-	-	-	-	-	-	-	-
Schools modernization fund	-	-	-	-	-	-	-	-
District retiree health contribution	-	-	-	-	-	-	-	-
Repayment of revenue bonds	-	-	-	-	-	-	-	-
Certificate of participation	-	-	-	-	-	-	-	-
Convention center transfer-dedicated taxes	-	-	-	-	-	-	-	-
Highway trust fund transfer	-	-	-	-	16,654	16,654	16,654	-
Baseball dedicated tax transfer	-	-	-	-	-	-	-	-
TIF and pilot transfer	-	-	-	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	-	-	-	-
Equipment lease operating	-	-	-	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-	-	-
Pay-go capital	-	-	-	-	37,448	47,148	47,148	-
Non-departmental	-	-	-	-	18,350	6	-	6
DC retirement board	-	-	-	-	30,338	30,338	-	30,338
Housing finance agency	-	-	-	-	8,884	8,884	-	8,884
Total other	-	-	-	-	116,046	107,402	68,174	39,228
Total	$ 23,269	$ 42,102	$ 24,502	$ 17,600	$ 461,099	$ 443,462	$ 337,566	$ 105,896

See Accompanying Independent Auditors' Report.

Exhibit D-3

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGET REVISIONS
Year Ended September 30, 2012
($000s)

	Local Source			Federal Resources		
	Original Budget	Repro-gramming	Revised Budget	Original Budget	Repro-gramming	Revised Budget
Revenues and Sources:						
Taxes:						
Property taxes	$ 1,889,758	$ 34,290	$ 1,924,048	$ -	$ -	$ -
Sales and use taxes	1,194,925	(44,398)	1,150,527	-	-	-
Income taxes	1,774,080	60,307	1,834,387	-	-	-
Other taxes	669,014	38,205	707,219	-	-	-
Total taxes	5,527,777	88,404	5,616,181	-	-	-
Licenses and permits	63,357	10,739	74,096	-	-	-
Fines and forfeits	138,236	16,160	154,396	-	-	-
Charges for services	47,987	13,042	61,029	-	-	-
Miscellaneous	154,757	(28,517)	126,240	-	-	-
Other	-	-	-	-	-	-
Federal contributions	-	-	-	92,575	20,414	112,989
Operating grant	-	-	-	2,478,703	(41,640)	2,437,063
General obligation bonds	6,000	-	6,000	-	-	-
Fund balance released from restrictions	31,946	25,986	57,932	-	22,763	22,763
Transfer in from Lottery Board	68,500	(5,243)	63,257	-	-	-
Transfer in-others	5,833	31,240	37,073	-	-	-
Total revenues and sources	**6,044,393**	**151,811**	**6,196,204**	**2,571,278**	**1,537**	**2,572,815**
Expenditures and Uses:						
Governmental direction and support	492,109	14,684	506,793	29,654	2,468	32,122
Economic development and regulation	132,791	(2,882)	129,909	139,051	(55,231)	83,820
Public safety and justice	926,654	(9,557)	917,097	158,792	(17,110)	141,682
Public education system	1,534,237	(101,305)	1,432,932	282,592	16,092	298,684
Public education AY13 expenditure	-	137,743	137,743	-	-	-
Human support services	1,553,150	52,648	1,605,798	1,908,004	43,871	1,951,875
Public works	452,195	10,882	463,077	38,285	(5,002)	33,283
Repayment of loans and interest	438,072	(27,819)	410,253	-	20,277	20,277
Bond fiscal charges paid from bond proceeds	6,000	-	6,000	-	-	-
Repayment of interest on short-term borrowing	4,500	(1,928)	2,572	-	-	-
Settlements and judgments fund	21,477	2,860	24,337	-	-	-
Wilson building	3,968	-	3,968	-	-	-
Schools modernization fund	8,621	-	8,621	-	-	-
District retiree health contribution	109,800	-	109,800	-	-	-
Repayment of revenue bonds	6,691	(1,117)	5,574	-	-	-
Certificate of participation	32,534	(256)	32,278	-	-	-
Convention center transfer-dedicated taxes	100,718	375	101,093	-	-	-
Highway trust fund transfer	20,640	2,380	23,020	-	-	-
Baseball dedicated tax transfer	45,545	9,686	55,231	-	-	-
TIF and pilot transfer	65,466	(10,972)	54,494	-	-	-
Emergency planning and security costs	-	-	-	14,900	(3,828)	11,072
Equipment lease operating	53,617	(3,813)	49,804	-	-	-
Emergency and contingency reserve funds	3,000	(3,000)	-	-	-	-
Pay-go capital	-	33,730	33,730	-	-	-
Non-departmental	4,000	(1,500)	2,500	-	-	-
DC retirement board	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-
Total expenditures and uses	**6,015,785**	**100,839**	**6,116,624**	**2,571,278**	**1,537**	**2,572,815**
Excess of Revenues and Sources Over Expenditures and Uses	**$ 28,608**	**$ 50,972**	**$ 79,580**	**$ -**	**$ -**	**$ -**

See Accompanying Independent Auditors' Report.

Exhibit D-3

FINANCIAL REPORTING ENTITY
SCHEDULE OF BUDGET REVISIONS
Year Ended September 30, 2012
($000s)

	Private Grant and Contributions			Other Sources		
	Original Budget	Repro-gramming	Revised Budget	Original Budget	Repro-gramming	Revised Budget
Revenues and Sources:						
Taxes:						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Sales and use taxes	-	-	-	-	-	-
Income taxes	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Total taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Other	-	-	-	449,301	(17,637)	431,664
Federal contributions	-	-	-	-	-	-
Operating grant	23,269	16,290	39,559	-	-	-
General obligation bonds	-	-	-	-	-	-
Fund balance released from restrictions	-	2,543	2,543	11,798	-	11,798
Transfer in from Lottery Board	-	-	-	-	-	-
Transfer in-others	-	-	-	-	-	-
Total revenues and sources	**23,269**	**18,833**	**42,102**	**461,099**	**(17,637)**	**443,462**
Expenditures and Uses:						
Governmental direction and support	144	(25)	119	43,996	(17,269)	26,727
Economic development and regulation	80	446	526	128,073	4,750	132,823
Public safety and justice	1,280	(847)	433	47,180	(6,192)	40,988
Public education system	21,267	18,796	40,063	23,488	(2,942)	20,546
Public education FY13 expenditure	-	-	-	-	-	-
Human support services	348	428	776	23,995	1,753	25,748
Public works	150	35	185	78,321	10,907	89,228
Repayment of loans and interest	-	-	-	4,372	-	4,372
Bond fiscal charges paid from bond proceeds	-	-	-	-	-	-
Repayment of interest on short-term borrowing	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-
Wilson building	-	-	-	-	-	-
Schools modernization fund	-	-	-	-	-	-
District retiree health contribution	-	-	-	-	-	-
Repayment of revenue bonds	-	-	-	-	-	-
Certificate of participation	-	-	-	-	-	-
Convention center transfer-dedicated taxes	-	-	-	-	-	-
Highway trust fund transfer	-	-	-	16,654	-	16,654
Baseball dedicated tax transfer	-	-	-	-	-	-
TIF and pilot transfer	-	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	-	-
Equipment lease operating	-	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-
Pay-go capital	-	-	-	37,448	9,700	47,148
Non-departmental	-	-	-	18,350	(18,344)	6
DC retirement board	-	-	-	30,338	-	30,338
Housing finance agency	-	-	-	8,884	-	8,884
Total expenditures and uses	**23,269**	**18,833**	**42,102**	**461,099**	**(17,637)**	**443,462**
Excess of Revenues and Sources Over Expenditures and Uses	$ -	$ -	$ -	$ -	$ -	$ -

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CAFR

2012

STATISTICAL SECTION

VINCENT C. GRAY • MAYOR

NATWAR M. GANDHI • CHIEF FINANCIAL OFFICER

GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE CHIEF FINANCIAL OFFICER

Statistical Section
(Unaudited)

This section contains statistical tables that reflect information on financial trends, revenue capacity, debt capacity, demographics and the economy, and other data regarding the District's operations. These tables differ from the financial statements because they usually cover more than two fiscal years and may present non-accounting data.

The Statistical Section is divided into 5 sections as follows:

Section	Page
1. Financial Trends	**167**
2. Revenue Capacity	**175**
3. Debt Capacity	**181**
4. Demographic and Economic Information	**187**
5. Operating Information	**189**

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1. Financial Trends

These schedules contain trend information, which may be used to better understand how the District's financial performance and well-being have changed over time.

Net Assets By Component
Last Ten Fiscal Years
(accrual basis of accounting, dollars in thousands)

Exhibit S-1A

NET ASSETS	2003	2004	2005	2006	2007	2008	2009	2010 *	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	$ 518,223	$ 774,533	$ 1,069,731	$ 958,597	$ 1,197,275	$ 1,794,279	$ 2,155,206	$ 2,437,385	$ 2,534,538	$ 2,872,272
Restricted	870,284	807,839	930,021	987,650	1,269,708	1,156,213	852,061	1,117,560	963,694	1,057,582
Unrestricted	(593,786)	(370,474)	(249,088)	167,779	92,345	(404,959)	(505,804)	(739,720)	(527,647)	(601,284)
Total governmental activities net assets	794,721	1,211,898	1,750,664	2,114,026	2,559,328	2,545,533	2,501,463	2,815,225	2,970,585	3,328,570
Business-type activities										
Invested in capital assets, net of related debt	1,354	17,927	16,183	17,505	17,211	16,747	16,012	4,827	478	480
Restricted	262,148	288,224	322,893	347,938	375,148	374,282	304,773	233,296	226,229	229,930
Unrestricted	37,442	34,829	34,968	29,000	25,980	24,773	25,864	8,628	3,501	3,607
Total business-type activities net assets	300,944	340,980	374,044	394,443	418,339	415,802	346,649	246,751	230,208	234,017
Primary government										
Invested in capital assets, net of related debt	519,577	792,460	1,085,914	976,102	1,214,486	1,811,026	2,171,218	2,442,212	2,535,016	2,872,752
Restricted	1,132,432	1,096,063	1,252,914	1,335,588	1,644,856	1,530,495	1,156,834	1,350,856	1,189,923	1,287,512
Unrestricted	(556,344)	(335,645)	(214,120)	196,779	118,325	(380,186)	(479,940)	(731,092)	(524,146)	(597,677)
Total primary government net assets	$ 1,095,665	$ 1,552,878	$ 2,124,708	$ 2,508,469	$ 2,977,667	$ 2,961,335	$ 2,848,112	$ 3,061,976	$ 3,200,793	$ 3,562,587

* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted

Source: Information was extracted from Exhibit 1-a, Statement of Net Assets, Page 44.

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting, dollars in thousands)

Exhibit S-1B

	2003	2004	2005	2006	2007	2008	2009	2010 *	2011	2012
Governmental activities										
Expenses										
Governmental direction and support	$ 525,072	$ 554,614	$ 641,964	$ 574,097	$ 787,392	$ 834,694	$ 878,219	$ 871,240	$ 783,557	$ 987,978
Economic development and regulation	252,716	253,311	283,186	391,203	509,874	499,644	470,567	374,149	370,592	353,618
Public safety and justice	936,797	1,007,755	1,036,120	1,124,896	1,264,715	1,384,517	1,407,166	1,563,505	1,521,863	1,490,423
Public education system	1,168,545	1,301,807	1,374,538	1,486,112	1,589,652	1,787,635	1,937,238	1,989,518	2,086,722	2,113,955
Human support services	2,572,881	2,537,195	2,663,556	2,967,372	2,992,805	3,285,325	3,598,570	3,677,405	3,889,812	3,925,613
Public works	312,704	313,580	307,247	351,917	481,702	586,649	553,233	497,027	489,304	587,002
Public transportation	272,726	162,602	167,783	187,615	198,484	214,905	230,499	243,668	257,703	221,339
Interest on long-term debt	178,301	189,697	201,882	269,725	281,918	293,339	336,536	324,319	356,164	397,216
Total governmental activities expenses	6,219,742	6,320,561	6,676,276	7,352,937	8,106,542	8,886,708	9,412,028	9,540,831	9,755,717	10,077,144
Program revenues										
Charges for services, fees, fines & forfeitures:										
Economic development and regulation	75,540	83,866	92,198	94,487	102,230	111,105	105,148	112,074	126,407	134,410
Public works	129,251	134,875	132,533	146,628	151,957	206,771	196,119	219,005	228,287	191,960
Others	118,370	81,369	102,431	84,298	80,790	61,273	98,211	118,943	135,407	211,033
Operating grants & contributions	1,833,060	2,060,973	2,098,723	2,155,035	2,309,495	2,178,275	2,813,568	3,321,671	3,343,747	3,190,038
Capital grants & contributions	176,449	151,334	112,704	119,715	130,557	175,841	180,602	259,277	172,964	261,411
Total governmental activities program revenues	2,332,670	2,512,417	2,538,589	2,600,163	2,775,029	2,733,265	3,393,648	4,030,970	4,006,812	3,988,852
Net expenses	(3,887,072)	(3,808,144)	(4,137,687)	(4,752,774)	(5,331,513)	(6,153,443)	(6,018,380)	(5,509,861)	(5,748,905)	(6,088,292)
General revenues										
Taxes:										
Property taxes	899,665	1,017,653	1,150,672	1,272,998	1,545,325	1,787,365	1,951,345	1,881,733	1,803,691	1,945,071
Sales and use taxes	779,920	828,391	957,394	1,004,471	1,056,780	1,101,859	1,052,011	1,081,005	1,121,257	1,218,576
Income and franchise taxes	1,167,452	1,299,009	1,472,432	1,591,483	1,736,361	1,755,894	1,478,068	1,434,131	1,656,283	1,956,590
Gross receipts taxes	261,643	271,897	295,819	278,453	302,768	302,873	315,976	295,531	279,002	319,036
Other taxes	273,191	379,521	377,213	390,542	498,198	413,401	261,909	264,959	403,199	404,066
Grants and contributions - unrestricted	25,070	24,543	-	-	-	-	-	-	-	-
Investment earnings	13,341	16,211	39,811	73,207	124,420	95,847	28,242	19,156	6,122	21,944
Miscellaneous	325,529	314,596	311,662	431,182	456,425	458,469	530,847	447,368	563,400	514,590
Special items	-	-	-	-	(8,838)	153,640	287,137	266,942	-	-
Transfers	37,574	73,500	71,450	73,800	65,376	70,300	68,775	96,624	71,311	66,404
Total governmental activities general revenues	3,783,385	4,225,321	4,676,453	5,116,136	5,776,815	6,139,648	5,974,310	5,787,449	5,904,265	6,446,277
Change in net assets --- governmental activities	$ (103,687)	$ 417,177	$ 538,766	$ 363,362	$ 445,302	$ (13,795)	$ (44,070)	$ 277,588	$ 155,360	$ 357,985

* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted
Source: Information was extracted from Exhibit 1-b, Statement of Activities, Page 45.

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting, dollars in thousands)

Exhibit S-1B
(Continued)

	2003	2004	2005	2006	2007	2008	2009	2010 *	2011	2012
Business activities										
Expenses										
Lottery and games	$ 166,185	$ 167,938	$ 164,066	$ 193,907	$ 192,336	$ 182,981	$ 176,625	$ 163,393	$ 169,526	$ 183,185
Unemployment compensation	165,045	113,888	92,728	102,749	99,920	150,237	370,775	480,976	408,997	344,913
Nursing home services	34,687	33,023	35,066	35,434	37,556	40,837	44,601	18,817	4,555	-
Total business-type activities expenses	365,917	314,849	291,860	332,090	329,812	374,055	592,001	663,186	583,078	528,098
Program revenues										
Charges for services, fees, fines & forfeitures:										
Lottery and games	237,890	241,133	234,931	266,391	256,824	252,721	245,370	230,159	231,749	249,675
Nursing home services	34,124	30,907	32,184	29,154	31,849	37,435	43,424	19,991	4,135	-
Operating grants & contributions	55,356	26,588	16,707	14,825	18,358	21,191	36,985	36,998	34,968	27,945
Capital grants & contributions	-	15,464	-	-	-	-	-	-	-	-
Total business-type activities program revenues	327,370	314,092	283,822	310,370	307,031	311,347	325,779	287,148	270,852	277,620
Net expenses	(38,547)	(757)	(8,038)	(21,720)	(22,781)	(62,708)	(266,222)	(376,038)	(312,226)	(250,478)
General revenues										
Taxes:										
Other taxes	82,626	97,196	92,985	95,888	90,117	92,733	94,622	129,471	128,875	133,618
Investment earnings	19,332	16,847	18,887	19,321	20,841	21,317	19,061	13,584	11,764	8,517
Miscellaneous	261.00	250.00	680	710	1,095	16,355	152,161	229,709	226,355	178,556
Transfers	(37,574)	(73,500)	(71,450)	(73,800)	(65,376)	(70,300)	(68,775)	(96,624)	(71,311)	(66,404)
Total business-type activities general revenues	64,645	40,793	41,102	42,119	46,677	60,105	197,069	276,140	295,683	254,287
Change in net assets --- business-type activities	$ 26,098	$ 40,036	$ 33,064	$ 20,399	$ 23,896	$ (2,603)	$ (69,153)	$ (99,898)	$ (16,543)	$ 3,809
Total primary government										
Expenses	$ 6,585,659	$ 6,635,410	$ 6,968,136	$ 7,685,027	$ 8,436,354	$ 9,260,763	$ 10,004,029	$ 10,204,017	$ 10,338,795	$ 10,605,242
Program revenues	2,660,040	2,820,257	2,822,411	2,910,533	3,082,060	3,044,612	3,719,427	4,318,118	4,277,664	4,266,472
Net (expenses)/revenues	(3,925,619)	(3,815,153)	(4,145,725)	(4,774,494)	(5,354,294)	(6,216,151)	(6,284,602)	(5,885,899)	(6,061,131)	(6,338,770)
General revenues	3,848,030	4,272,366	4,717,555	5,158,255	5,823,492	6,199,753	6,171,379	6,063,589	6,199,948	6,700,564
Change in net assets --- primary government	$ (77,589)	$ 457,213	$ 571,830	$ 383,761	$ 469,198	$ (16,398)	$ (113,223)	$ 177,690	$ 138,817	$ 361,794

* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted

Source: Information was extracted from Exhibit 1-b, Statement of Activities, Page 45

Fund Balances, Governmental Funds **Exhibit S-1C**
Last Ten Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	$ 568,243	$ 607,903	$ 1,110,770	$ 1,045,560	$ 1,135,459	$ 957,977	$ 703,694	$ 836,181
Unreserved	329,114	607,112	473,913	389,582	358,541	286,745	216,789	94,588
Total general fund	$ 897,357	$ 1,215,015	$ 1,584,683	$ 1,435,142	$ 1,494,000	$ 1,244,722	$ 920,483	$ 930,769
All other governmental funds								
Reserved, reported in:								
Special revenue funds	$ 249,434	$ 239,291	$ 249,911	$ 321,878	$ 460,556	$ 465,229	$ 507,678	$ 555,476
Capital project funds	52,607	43,914	86,530	732,602	835,024	629,805	417,212	137,922
Unreserved, reported in:								
Capital project funds	(169,287)	(273,432)	(312,161)	-	-	-	-	-
Total all other governmental funds	$ 132,754	$ 9,773	$ 24,280	$ 1,054,480	$ 1,295,580	$ 1,095,034	$ 924,890	$ 693,398

	2011	2012
General Fund		
Nonspendable	$ 18,465	$ 20,357
Restricted	756,650	856,277
Committed	256,287	595,008
Assigned	73,492	34,879
Unassigned	-	-
Total general fund	$ 1,104,894	$ 1,506,521
All other governmental funds		
Nonspendable	$ -	$ -
Restricted	621,740	541,642
Committed	-	-
Assigned	-	-
Unassigned	-	(116,269)
Total all other governmental funds	$ 621,740	$ 425,373

* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted.
In FY2011, the District implemented GASB Statement #54; presentation is not comparable to prior years.
Source: Information was extracted from Exhibit 2-a, Balance Sheet - Governmental Funds, Page 46.

Changes in Fund Balances, Governmental Funds **Exhibit S-1D**
Last Ten Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010 *	2011	2012
REVENUES										
Taxes	$ 3,384,093	$ 3,806,906	$ 4,251,191	$ 4,472,845	$ 5,146,007	$ 5,333,118	$ 5,042,487	$ 4,956,910	$ 5,260,486	$ 5,833,054
Fines and forfeits	90,238	102,828	111,146	112,919	101,971	99,452	106,169	128,473	129,448	185,771
Licenses and permits	62,189	62,968	82,093	81,222	89,072	94,988	91,230	86,951	102,769	99,300
Charges for services	170,736	134,314	133,923	131,273	143,934	184,709	202,079	234,598	257,884	252,332
Investment earnings	13,341	16,211	39,811	73,206	124,420	95,847	28,242	19,156	5,789	21,728
Miscellaneous	320,460	305,039	311,573	489,067	444,262	457,747	524,046	447,365	549,006	514,694
Federal contributions	380,100	393,928	382,966	362,075	440,962	433,206	573,446	670,186	617,845	554,979
Operating grants	1,555,404	1,842,922	1,828,461	1,912,675	1,999,090	1,920,910	2,420,724	2,910,762	2,898,866	2,896,470
Total revenues	5,976,561	6,665,116	7,141,164	7,635,282	8,489,718	8,619,977	8,988,423	9,454,401	9,822,093	10,358,328
EXPENDITURES										
Governmental direction and support	415,591	483,185	590,344	611,620	651,974	695,175	672,463	657,935	698,117	787,331
Economic development and regulation	224,811	236,220	267,335	348,091	444,508	461,707	405,140	388,424	351,814	318,266
Public safety and justice	907,670	984,062	1,034,456	1,133,800	1,241,684	1,369,907	1,381,873	1,546,473	1,517,640	1,469,727
Public education system	1,155,297	1,284,448	1,340,767	1,439,510	1,541,194	1,716,701	1,850,200	1,904,023	1,943,438	1,980,384
Human support services	2,445,336	2,563,646	2,657,848	2,952,637	2,975,821	3,222,979	3,485,267	3,669,367	3,823,317	3,881,043
Public works	164,753	164,231	175,300	184,200	329,942	416,982	388,713	318,590	265,750	342,215
Public transportation	272,726	162,602	167,783	187,615	198,484	214,905	230,499	243,668	257,703	221,339
Debt service:										
Principal	149,792	152,086	183,845	205,654	232,389	251,998	277,523	209,746	211,696	217,645
Interest and other charges	178,301	189,697	202,387	225,195	258,769	287,354	292,484	300,123	333,872	375,461
Fiscal charges	15,338	13,721	9,277	31,958	15,095	25,330	19,659	64,532	14,296	15,447
Total debt service	343,431	355,504	395,509	462,807	506,253	564,682	589,666	574,401	559,864	608,553
Subtotal expenditures	5,929,615	6,233,898	6,629,342	7,320,280	7,889,860	8,663,038	9,003,821	9,302,881	9,417,643	9,608,858
Capital outlay	762,145	666,649	615,089	901,204	1,024,541	1,390,415	1,130,971	1,359,488	1,189,356	1,152,943
Total expenditures	6,691,760	6,900,547	7,244,431	8,221,484	8,914,401	10,053,453	10,134,792	10,662,369	10,606,999	10,761,801
Excess (deficiency) of revenues over (under) expenditures	(715,199)	(235,431)	(103,267)	(586,202)	(424,683)	(1,433,476)	(1,146,369)	(1,207,968)	(784,906)	(403,473)
OTHER FINANCING SOURCES (USES)										
Debt issuance	856,703	325,726	386,370	1,342,612	610,580	664,105	491,645	750,298	745,025	439,370
Refunding debt issuance	163,170	-	-	116,475	251,155	675,895	580,140	835,010	63,860	608,210
Premium on sale of bonds	-	-	14,478	39,944	16,063	36,282	50,198	89,505	24,711	124,679
Payment to escrow agent	(234,179)	-	-	(136,137)	(264,334)	(675,385)	(607,640)	(855,011)	(63,335)	(679,843)
Other sources	-	9,557	89	-	-	-	-	-	-	-
Proceeds from capital lease	-	503	19	-	-	-	-	-	-	-
Equipment financing program	17,094	20,822	15,036	30,167	42,471	36,479	62,068	34,162	45,801	49,463
Transfers in	77,119	109,717	193,439	685,206	694,229	477,829	447,639	429,033	302,059	353,087
Transfers out	(34,476)	(36,217)	(121,989)	(611,406)	(628,853)	(407,529)	(378,864)	(332,409)	(230,748)	(286,683)
Sale of capital assets	-	-	-	-	12,168	726	6,800	-	-	450
Total other financing sources	845,431	430,108	487,442	1,466,861	733,479	808,402	651,986	950,588	887,373	608,733
Special items	-	-	-	-	(8,838)	175,250	-	-	-	-
Net change in fund balances	$ 130,232	$ 194,677	$ 384,175	$ 880,659	$ 299,958	$ (449,824)	$ (494,383)	$ (257,380)	$ 102,467	$ 205,260
Total capital expenditures	$ 811,674	$ 690,609	$ 648,795	$ 771,069	$ 857,739	$ 1,402,291	$ 1,222,453	$ 1,455,655	$ 936,823	$ 999,605
Debt service as a percentage of noncapital expenditures	5.58%	5.50%	5.86%	5.78%	6.10%	6.23%	6.40%	5.54%	5.64%	6.08%

* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted.

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 47.

Tax Revenues by Source, Governmental Funds **Exhibit S-1E**
Last Ten Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

Fiscal Year	Property Tax			Sales and Use	Income and Franchise	Gross Receipts	Other Taxes	Total
	Real	Personal	Rental					
2003	$ 822,845	$ 67,294	$ 11,749	$ 779,920	$ 1,167,452	$ 261,643	$ 273,191	$ 3,384,094
2004	947,690	63,558	16,840	828,391	1,299,009	271,897	379,521	3,806,906
2005	1,058,100	72,068	18,165	957,394	1,472,432	295,819	377,213	4,251,191
2006	1,163,598	55,548	22,336	970,885	1,591,483	278,453	390,542	4,472,845
2007	1,452,267	67,394	32,239	1,056,780	1,736,361	302,768	498,198	5,146,007
2008	1,666,315	59,690	33,086	1,101,859	1,755,894	302,873	413,401	5,333,118
2009	1,832,748	69,163	32,612	1,052,011	1,478,068	315,976	261,909	5,042,487
2010	1,790,519	56,501 *	34,264 **	1,081,005	1,434,131	295,531	264,959	4,956,910
2011	1,715,069	52,696	32,980	1,121,257	1,656,283	279,002	403,199	5,260,486
2012	1,843,918	55,734	35,134	1,218,576	1,956,590	319,036	404,066	5,833,054

* Due to the District's Policy change on the recognition of personal property tax revenues, FY2010 Information has been adjusted

** Corrected to reflect proper classification

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 47.

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2. Revenue Capacity

These schedules contain information regarding the District's most significant local revenue sources: property, income, and sales and use taxes.

Assessed Value and Estimated Actual Value of Taxable Property **Exhibit S-2A**
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year	Estimated Actual Value: Commercial Property	Estimated Actual Value: Residential Property *	Total Taxable	Tax Exempt	Total Value	Total Direct Tax Rate**	Tax Exempt as a % of Total Value
2003	$ 29,684,430	$ 28,379,237	$ 58,063,667	$ 35,728,289	$ 93,791,956	1.38	38.1%
2004	33,752,889	32,701,220	66,454,109	43,234,068	109,688,177	1.35	39.4%
2005	36,905,213	49,982,554	86,887,767	43,219,725	130,107,492	1.37	33.2%
2006	40,400,447	58,090,888	98,491,335	59,664,865	158,156,200	1.34	37.7%
2007	51,748,487	73,126,786	124,875,273	57,690,545	182,565,818	1.31	31.6%
2008	61,557,827	81,400,361	142,958,188	67,869,520	210,827,708	1.30	32.2%
2009	68,495,502	84,544,053	153,039,555	81,211,121	234,250,676	1.29	34.7%
2010	68,254,862	81,862,427	150,117,289	82,113,504	232,230,793	1.30	35.4%
2011	59,224,100	80,063,402	139,287,502	81,528,158	220,815,660	1.25	36.9%
2012	65,903,077	80,598,880	146,501,957	83,399,263	229,901,220	1.26	36.3%

* After deduction of homestead exemption and credits against tax for 2003-2007
Does not reflect the 2003 Cap Assessment of 25% for Class 01 with Homestead Exemptions
Does not reflect the 2004 & 2005 Cap Assessment of 12% for Class 01 with Homestead Exemptions
Does not reflect the 2006-2012 Cap Assessment of 10% for Class 01 with Homestead Exemptions
After deduction of Homestead Exemption for 2008- 2012

**The total direct rate is the weighted rate of all taxable real property, obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.

Note. Assessed value is 100 percent of estimated actual value

Source: Office of Tax and Revenue

Direct Property Tax Rates **Exhibit S-2B**
Last Ten Fiscal Years

Fiscal Year	Direct Property Tax Rate: Basic Rate	General Obligation Debt Service	Redevelopment Program	Total Direct
2003	0.78	0.60	-	1.38
2004	0.90	0.45	-	1.35
2005	0.92	0.45	-	1.37
2006	0.94	0.40	-	1.34
2007	0.86	0.45	-	1.31
2008	0.98	0.32	-	1.30
2009	1.01	0.28	-	1.29
2010	1.02	0.28	-	1.30
2011	0.97	0.28	-	1.25
2012	1.12	0.14	-	1.26

Note:
The total direct rate is the weighted rate of all taxable real property, obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.

Source: Office of Tax and Revenue

MAJOR TAX RATES
Last Ten Fiscal Years

Exhibit S-2C

Fiscal Year	Class 1 Residential	Class 2 Commercial	Class 3 Vacant & Abandoned	Class 4 Blighted	Personal	Sales and Use General (1)	Sales and Use Cigarette (2)	Sales and Use Motor Fuel (3)	Income and Franchise Individual (4)	Income and Franchise Business (5)	Gross Receipt Public Utility (6) Commercial	Gross Receipt Public Utility (6) Residential
2003	0.96	1.85	5.00	N/A	3.40	0.0575	1.00	0.200	0.050 - .093	0.09975	0.11	0.11
2004	0.96	1.85	5.00	N/A	3.40	0.0575	1.00	0.200	0.050 - .093	0.09975	0.11	0.11
2005	0.96	1.85	5.00	N/A	3.40	0.0575	1.00	0.200	0.050 - .090	0.09975	0.11	0.10
2006	0.92	1.85	5.00	N/A	3.40	0.0575	1.00	0.200	0.045 - .087	0.09975	0.11	0.10
2007	0.88	1.85	5.00	N/A	3.40	0.0575	1.00	0.200	0.040 - .085	0.09975	0.11	0.10
2008	0.85	1.85	5.00	N/A	3.40	0.0575	1.00	0.200	0.040 - .085	0.09975	0.11	0.10
2009	0.85	1.65/1.85 *	10.00	N/A	3.40	0.0575	2/2.50	0.200	0.040 - .085	0.09975	0.11	0.10
2010	0.85	1.65/1.85 *	10.00	N/A	3.40	0.0600	2.5/3.12 **	0.235	0.040 - .085	0.09975	0.11	0.10
2011	0.85	1.65/1.85 *	5.00	10.00 ***	3.40	0.0600	2.5/3.12 **	0.235	0.040 - .085	0.09975	0.11	0.10
2012	0.85	1.65/1.85 *	5.00	10.00 ***	3.40	0.0600	2.86/3.57 **	0.235	0.040 - .0895	0.09975	0.11	0.10

Source: Office of Revenue Analysis/Office of Tax & Revenue

* The tax rate for the 1st $3 million in assessed value is $1.65 per $100 and the tax rate for property with assessed value greater than $3 million is $1.85 per $100
** The rates per pack of 20 and 25 are not subject to rounding
** Blighted Property is a separate class from Vacant & Abandoned property which are assessed at each rate per $100 of value.

(1) Of sales value
(2) Per package of 20 & 25
(3) Per gallon
(4) Of taxable income
(5) Of net income
(6) Of gross charges (gas, lighting, telephone)

Principal Property Taxpayers
Current Year and Nine Years Ago
(dollars in thousands)

Exhibit S-2D

Taxpayer	2012 Taxable Assessed Value	2012 Rank	2012 % of Total Taxable Assessed Value	2003 Taxable Assessed Value	2003 Rank	2003 % of Total Taxable Assessed Value
JBG/FEDERAL CENTER LLC	$ $614,998	1	0.399%	$ ***	***	***
DAVID NASSIF ASSOCIATES	$509,913	2	0.331%	$167,386	5	0.253%
MANUFACTURERS LIFE INSURANCE	$463,386	3	0.301%	$230,800	3	0.348%
CARR CRHP PROPERTIES LLC	$439,110	4	0.285%	$235,000	2	0.355%
SECOND ST HOLDING LLC	$382,778	5	0.248%	$21,854	8	0.033%
PRESIDENT & DIRECTORS OF GEORGETOWN UNIVERSITY	$362,678	6	0.235%	***	***	***
UNITED BROTHERHD CRPT JNR AM NATL H S FD	$360,000	7	0.234%	$143,689	7	0.217%
1301 K STREET LP	$354,043	8	0.230%	$164,183	6	0.248%
WASHINGTON SQUARE LIMITED PARTNERSHIP	$351,000	9	0.228%	$249,277	1	0.376%
GEOFFREY A ECKLES	$336,400	10	0.218%	$176,830	4	0.267%

*** Property was not active in 2003
Source: Office of Tax and Revenue

Ten Highest Assessed Values For Tax Exempt Properties **Exhibit S-2E**
Current Year
(dollars in thousands)

Property	Value
INTERNATIONAL FINANCE CORPORATION	$ 519,718
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	459,053
INTER-AMERICAN DEVELOPMENT BANK	405,913
CATHOLIC UNIVERSITY OF AMERICA	386,066
GALLAUDET UNIVERSITY	368,526
INTERNATIONAL MONETARY FUND	298,701
INTERNATIONAL MONETARY FUND	284,032
PROTESTANT EPISCOPAL CATHEDRAL FND DC	275,612
HOWARD UNIVERSITY	252,609
THE FREEDOM FORUM INC	243,474

Note: Duplicate property listings result from owners with multiple properties.
Source: Office of Tax and Revenue

Property Tax Levies and Collections **Exhibit S-2F**
Last Six Fiscal Years
(dollars in thousands)

Fiscal Year Ended Sept 30	Current Levy			Prior Years			Total		
	Levy	Collections	Percent Collected	Outstanding Balances Billed	Collections	Percent Collected	Billed	Collected	Total
2007	$ 1,405,056	$ 1,361,132	96.9%	$ 75,081	$ 66,500	88.6%	$ 1,480,137	$ 1,427,632	96.5%
2008	1,662,835	1,615,583 (1)	97.2%	70,895	59,885 (1)	84.5%	1,733,730	1,675,468	96.6%
2009	1,861,953	1,752,290 (2)	94.1%	100,910	65,868 (2)	65.3%	1,962,863	1,818,158	92.6%
2010	1,792,100	1,735,602 (3)	96.8%	144,883	94,683 (3)	65.4%	1,936,983	1,830,285	94.5%
2011	1,639,902	1,610,533	98.2%	226,333	111,465	49.2%	1,866,235	1,721,998	92.3%
2012	1,814,958	1,784,196	98.3%	152,954	78,989	51.6%	1,967,912	1,863,185	94.7%

(1) Previously reported collections for 2008 include tax overpayments for both the current levy and prior years balances of $7,490 and $7,500 respectively.
(2) Previously reported collections for 2009 include tax overpayments for both the current levy and prior years balances of $8,648 and $3,615 respectively.
(3) Previously reported collections for 2010 include tax overpayments for both the current levy and prior years balances of $10,940 and $2,361 respectively.

Note: Table reflects a modification to the tax levy data previously reported, which included new billings of prior year tax, penalty and interest amounts due. Data has been reformatted to specifically identify prior year amounts included in the annual amounts billed. The table reflects six years of data, as the detailed information on delinquent amounts included in the tax levy for years 2002 - 2006 is not available in the format required.

Personal Income Tax Rates
Last Ten Fiscal Years

Exhibit S-2G

Year	Top Rate	Top Income Tax Rate Is Applied to Taxable Income in Excess of Listed Amounts			* Average Effective Rate
		Single	Married Filling Jointly	Head of Household	
2003	9.30%	$ 30,000	$ 30,000	$ 30,000	6.66%
2004	9.30%	30,000	30,000	30,000	6.65%
2005	9.00%	30,000	30,000	30,000	6.68%
2006	8.70%	40,000	40,000	40,000	6.45%
2007	8.50%	40,000	40,000	40,000	6.20%
2008	8.50%	40,000	40,000	40,000	5.93%
2009	8.50%	40,000	40,000	40,000	5.64%
2010	8.50%	40,000	40,000	40,000	5.36%
2011	8.50%	40,000	40,000	40,000	5.32%
2012	8.95%	350,000	350,000	350,000	N/A

N/A: Not Available

* Fiscal year personal income tax collections divided by prior-year personal income.

** 2012 numbers reflect tax law changes.

Source: Office of Tax and Revenue

Personal Income Tax Filers and Liability by Income Level
Current Year and Nine Years Ago

Exhibit S-2H

Income Level	2012				2003			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	54,311	15.9%	$ 990,297,786	70.9%	27,214	9.3%	$ 532,459,036	56.8%
$75,001 -- $100,000	25,745	7.6%	124,211,460	8.9%	15,057	5.1%	85,563,785	9.1%
$50,001 -- $75,000	45,254	13.3%	136,446,416	9.8%	32,084	10.9%	119,697,742	12.8%
$25,001 -- $50,000	80,531	23.6%	114,385,682	8.2%	79,200	27.0%	146,694,949	15.7%
$10,001 -- $25,000	68,815	20.2%	28,565,740	2.0%	73,445	25.0%	48,156,503	5.1%
$10,000 -- and lower	66,109	19.4%	2,180,880	0.2%	66,737	22.7%	4,770,839	0.5%
Total	340,765	100.00%	$ 1,396,087,964	100.00%	293,737	100.00%	$ 937,342,855	100.00%

Note: Amounts not expressed in thousands.

Source: Office of Tax and Revenue

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3. Debt Capacity

These schedules present information showing the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Ratios of General Obligation Bonds Outstanding **Exhibit S-3A**
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	General Obligation Bonds (GO)	Actual Value of Taxable Property	GO Bonds as a Percentage of Actual Value of Taxable Property	GO Debt Per Capita *
2003	$ 3,251,118	$ 58,063,667	5.60%	$ 5,719
2004	3,418,933	66,454,109	5.14%	6,022
2005	3,632,198	86,887,767	4.18%	6,404
2006	3,773,863	98,491,335	3.83%	6,613
2007	4,140,133	124,875,273	3.32%	7,208
2008	4,592,518	142,958,188	3.21%	7,915
2009	3,766,628	153,039,555	2.46%	6,360
2010	2,781,053	150,117,289	1.85%	4,597
2011	2,829,598	139,287,502	2.03%	4,571
2012	2,295,225	146,501,957	1.57%	3,630

* The prior year per capita amounts were updated to reflect the revised census population estimates.

Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)

Exhibit S-3B

Fiscal Year	Tax Increment Financing Debts					Income Tax Secured Revenue Bonds				
	Sales Tax Increment	Real Property Tax Increment	Debt Service		Coverage	Individual Income Tax	Business Franchise	Debt Service		Coverage
			Principal	Interest				Principal	Interest	
2003	$ -	$ -	-	$ 4,236	0.00%	$ -	$ -	$ -	$ -	0.00%
2004	790	-	-	4,236	18.65%	-	-	-	-	0.00%
2005	4,507	2,397	4,942	4,764	71.13%	-	-	-	-	0.00%
2006	8,299	974	4,809	4,899	95.52%	-	-	-	-	0.00%
2007	8,948	3,516	4,666	5,042	128.39%	-	-	-	-	0.00%
2008	9,090	1,563	4,565	5,147	109.69%	-	-	-	-	0.00%
2009	10,032	4,918	4,467	5,245	153.93%	1,135,938	342,130	-	7,974	18723.58%
2010	7,529	4,431	4,390	5,320	123.17%	1,110,444	323,687	-	59,710	2421.86%
2011	10,904	3,750	4,323	5,385	150.95%	1,296,598	359,684	23,160	136,175	1048.69%
2012	9,747	9,711	8,034	6,452	134.32%	1,490,694	465,896	90,755	134,090	878.85%

Note: Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements.
Beginning FY 2010, the District revised the presentation of the Exhibit by removing sales tax increment and real property tax increment that were dedicated to tax increment financing other than the Gallery Place TIF Bonds and the Mandarin Hotel TIF Bonds for which the principal and interest components of debt service were indicated.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Exhibit S-3C

	Governmental Activities															
Fiscal Year	General Obligation Bonds	Income Tax Secured Bonds	TIF Bonds	Qualified Zone Academy Bonds	Certificates of Participation	Capital Leases	Ballpark Bonds	HPTF Bonds(3)	PILOT Revenue Bonds(4)	GARVEE Bonds(5)	Tobacco Bonds(1)	**Total Debt**	**Personal Income(2)**	**Total Debt as a Percentage of Personal Income**	**Total Debt Per Capita**	**Total "Tax Supported Debt" Per Capita**
2003	$ 3,251,118	$ -	$ 125,524	$ 3,327	$ 129,530	$ 90,458	$ -	$ -	$ -	$ -	$ 506,550	$ 4,106,507	$ 27,208,250	15.1%	$ 7,223	$ 6,332
2004	3,418,933	-	124,009	3,071	128,345	84,456	-	-	-	-	502,740	4,261,554	29,082,500	14.7%	7,506	6,620
2005	3,632,198	-	117,525	2,815	120,760	76,390	-	-	-	-	498,740	4,448,428	31,484,750	14.1%	7,844	6,964
2006	3,773,863	-	109,895	5,221	278,100	67,942	534,800	-	-	-	742,284	5,512,105	34,066,250	16.2%	9,659	8,358
2007	4,140,133	-	105,229	4,787	270,780	59,868	528,490	34,105	-	-	737,069	5,880,461	36,817,750	16.0%	10,238	8,954
2008	4,592,518	-	100,664	6,713	261,375	52,403	526,415	33,570	155,630	-	724,484	6,453,772	40,359,750	16.0%	11,123	9,874
2009	3,766,628	1,071,785	96,196	6,044	251,515	44,492	521,750	33,010	142,138	-	711,239	6,644,797	40,515,750	16.4%	11,220	10,019
2010	2,781,053	2,570,650	91,807	9,518	241,185	36,108	517,390	85,615	156,621	-	699,779	7,189,726	42,179,750	17.0%	11,884	10,727
2011	2,829,598	3,029,100	87,484	8,573	230,335	27,433	512,850	84,335	142,375	82,610	690,289	7,724,982	45,029,250	17.2%	12,479	11,364
2012	2,295,225	3,799,645	112,985	7,628	218,935	18,972	507,935	82,805	127,924	78,775	677,219	7,928,048	46,686,500	17.0%	12,538	11,467

Note: There are no business type activities with outstanding debt.
Prior year per capita amounts were updated to reflect U.S. Census Bureau population estimates.
Convention Center bonds are neither reported nor included in this table.
(1) Tobacco bonds are not supported by general tax revenues and are not included in the Total "Tax Supported Debt" Per Capita calculation.
(2) The prior year personal income amounts were updated to reflect current methodology.
(3) HPTF - Housing Production Trust Fund
(4) PILOT - Payments in Lieu of Taxes
(5) GARVEE - Federal Highway Grant Anticipation Revenue Bonds

Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Exhibit S-3D

Debt Service Cost Margin Calculation for Fiscal Year 2012:

General fund revenue			$ 6,584,468
Debt service cost limitation (17% of general fund revenue)			$ 1,119,360
Debt expenditure applicable to limit:			
Principal	$ 177,175		
Interest	287,819		
Subtotal for current year	464,994		
Highest debt service cost	$ 464,994		
Total debt service cost subject to the limitation			464,994
Debt service cost margin			$ 654,366

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt service cost limitation	$ 627,516	$ 735,472	$ 823,558	$ 875,852	$ 1,000,684	$ 1,039,711	$ 1,002,774	$ 977,459	$ 1,019,192	$ 1,119,360
Highest future year debt service cost	319,160	339,003	359,735	383,659	406,161	456,152	408,506	408,555	456,152	464,994
Debt service cost margin	$ 308,356	$ 396,469	$ 463,823	$ 492,193	$ 594,523	$ 583,559	$ 594,268	$ 568,904	$ 563,040	$ 654,366
Total debt service cost subject to the limit as a percentage of debt service cost limit	50.9 %	46.1 %	43.7 %	43.8 %	40.6 %	43.9 %	40.7 %	41.8 %	44.8 %	41.5 %
Debt limit ratio	8.6 %	7.8 %	7.4 %	7.4 %	6.9 %	7.5 %	6.9 %	7.1 %	7.6 %	7.1 %

Note: Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term debt to exceed 17 percent of the revenues of the fiscal year in which the debt is issued. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues.

Limitation On Borrowing
(dollars in thousands)

Exhibit S-3E

General Fund Expenditures:	$ 6,153,532	
General Fund Transfers out:	124,755	
Total:	**$ 6,278,287**	
Limitation on borrowing (12%):	$	753,394
FY 2012 debt service cost:		627,283
Margin on Limitation:	$	**126,111**
FY 2012 Debt service percentage:		**9.99%**

	Debt Service Expenditures by Fiscal Year											
	2012			2013			2014			2015		
Long Term Debt	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
General Obligation Bonds[1]	$ 63,583	127,733	191,316	50,040	118,841	168,881	49,675	110,492	160,167	89,880	93,767	183,647
Income Tax Secured Revenue Bonds[1]	90,755	134,090	224,845	117,740	177,864	295,604	131,245	172,287	303,532	103,620	167,791	271,411
TIF Bonds[2]	8,034	6,452	14,486	4,202	6,496	10,698	3,973	6,719	10,692	3,914	6,785	10,699
TIF Notes[3]	2,939	4,466	7,405	2,291	4,497	6,788	12,533	6,942	19,475	1,974	4,204	6,178
QZAB	945	-	945	945	-	945	946	-	946	946	-	946
Capital Leases	9,464	1,543	11,007	9,317	1,029	10,346	2,217	645	2,862	2,607	450	3,057
Ballpark Revenue Bonds[1]	4,915	26,349	31,264	5,680	26,204	31,884	6,835	25,899	32,734	7,685	25,531	33,216
Equipment Financing Program	45,786	3,769	49,555	43,166	2,783	45,949	32,717	1,562	34,279	24,119	777	24,896
HPTF Revenue Bonds	1,530	4,044	5,574	1,585	3,988	5,573	1,650	3,924	5,574	1,720	3,857	5,577
PILOT Bonds [4&5]	6,575	5,134	11,709	35,875	4,258	40,133	7,180	3,368	10,548	7,510	3,044	10,554
PILOT Notes[6]	53	292	345	523	309	832	512	320	832	499	333	832
NCRC Revenue Bonds[7]	7,876	323	8,199	2,982	304	3,286	1,205	288	1,493	1,267	257	1,524
COPs	11,400	11,216	22,616	11,970	10,649	22,619	12,560	10,060	22,620	13,220	9,400	22,620
Washington Convention and Sports Authority	13,265	34,752	48,017	13,865	34,073	47,938	15,625	33,385	49,010	18,200	32,652	50,852
Total	**$ 267,120**	**360,163**	**627,283**	**300,181**	**391,295**	**691,476**	**278,873**	**375,891**	**654,764**	**277,161**	**348,848**	**626,009**

The purpose of this exhibit is to comply with debt limitation requirement.

Notes:
1. Interest on Floating Rate General Obligation, Income Tax Secured Revenue and Ballpark Revenue Bonds assumed at 1.5% through FY 2015.
2. TIF Bonds include the Gallery Place and Mandarin Oriental Hotel projects and the city market at O. Street projects.
3. TIF Notes include the Capitol Hill Towers, Clyde's, Forever 21, Georgia Avenue CVS, Howard Theatre, Madame Tussaud's, the National Crime & Punishment Museum, Verizon Center, Waterfront Arts, and the Zara projects.
4. PILOT Bonds include Anacostia Waterfront Corp. and Capper/Carrollsburg projects.
5. The Capper/Carrollsburg (PILOT) Bonds, scheduled to mature on December 1, 2012, will be refunded by the District's Income Tax Secured Revenue Refunding Bonds, Series 2012D.
6. PILOT Notes include Rhode Island Place and Foundry Lofts projects. Rhode Island note has not yet been released from escrow, but release is anticipated in FY13.
7. Interest on Floating Rate NCRC Revenue Bonds is assumed at 2.55%.

Source: Office of Finance and Treasury

4. Demographic and Economic Information

These schedules offer demographic and economic data to help explain the environment within which the District's financial activities take place. This information also facilitates comparisons of financial statement information over time and among governments.

Demographic and Economic Statistics
Last Ten Fiscal Years

Exhibit S-4A

Fiscal Year	Population (1)	Personal Income (2)(3)	Per Capita Income (2)	Median Age (1)	Employment (4)	Unemployment Rate (4)	Claims Accepted (5)	Claims Rejected (5)
2003	568,502	27,208,250	47,860	34.9	665,925	6.9%	21,527	7,342
2004	567,754	29,082,500	51,224	34.9	671,375	7.3%	18,554	6,450
2005	567,136	31,484,750	55,515	34.9	680,267	6.9%	17,223	6,074
2006	570,681	34,066,250	59,694	34.7	686,225	5.8%	17,021	6,212
2007	574,404	36,817,750	64,097	34.6	691,708	5.5%	17,111	5,918
2008	580,236	40,359,750	69,557	34.3	702,725	6.0%	20,425	7,123
2009	592,228	40,515,750	68,412	34.0	701,633	9.0%	34,668	13,697
2010	604,989	42,179,750	69,729	33.8	708,975	10.2%	34,481	10,761
2011	619,020	45,029,250	72,863	33.7	722,967	10.2%	40,113	11,578
2012	632,323	46,686,500	N/A	N/A	735,050	9.4%	42,276	14,686

N/A: Not Available

(1) Source: U.S. Census Bureau. (As of July 1 - updated each December (Population) or each May (Median Age) for all the years after the 2010 census.)

(2) Source: D.C. Department of Employment Services, Office of Labor Market Research and Information based on data from U.S. Bureau of Economic Analysis (BEA)
BEA uses slightly different population estimates in its calculation of per capita income. Updates are made each year to prior year numbers, which will not match prior year CAFR figures.

(3) In thousands

(4) Source: D.C. Department of Employment Services, Office of Labor Market Research and Information based on data from U.S. Bureau of Labor Statistics

(5) Source: D.C. Department of Employment Services, Office of Unemployment Compensation

Principal Employers
Prior Year and Nine Years Ago **

Exhibit S-4B

	2012**			2003		
Employer	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
The George Washington University	*	1	*	*	1	*
Georgetown University	*	2	*	*	4	*
Washington Hospital Center	*	3	*	*	2	*
Children's National Hospital	*	4	*	*	6	*
Howard University	*	5	*	*	3	*
Georgetown University Hospital	*	6	*	*	5	*
American University	*	7	*	*	11	*
The Catholic University of America	*	8	*	*	14	*
Fannie Mae	*	9	*	*	7	*
Providence Hospital	*	10	*	*	8	*
Booz Allen & Hamilton Inc.	*	11	*	*	313	*
Howard University Hospital	*	12	*	*	10	*
Admiral Security Services	*	13	*	*	92	*
George Washington University Hospital	*	14	*	*	24	*
Sibley Memorial Hospital	*	15	*	*	17	*
Total	52,885		7.4%	45,223		7.0%

* This data is produced through the Quarterly Covered Employment and Wage (QCEW) Program, a Bureau of Labor Statistics federal/state cooperative statistical program. Release of data under this program is subject to the Confidential Information Protection and Statistical Efficiency Act of 2002. The District cannot release company specific employment information without the written consent of each of the companies that are included in the release of such data. As a result, we are only presenting rank and total employment information for the top thirteen principal employers.

** 2012 data will not be available until fiscal year 2013

Source: Department of Employment Services, Labor Market Research and Information Office

5. Operating Information

These schedules contain service and infrastructure data to better understand how the information in the District's financial reports relates to the services the District provides and the activities it performs.

Operating Indicators by Function/Program
Last Ten Fiscal Years

Exhibit S-5A

Function/Program	Operating Indicators 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GOVERNMENTAL DIRECTION AND SUPPORT										
General Obligation Bonds										
Bond rating by S&P	A-	A	A+	A+	A+	A+	A+	A+	A+	A+
Bond rating by Moody's	Baa1	A2	A2	A2	A1	A1	A1	Aa2	Aa2	Aa2
Bond rating by Fitch	A-	A-	A	A	A+	A+	A+	AA-	AA-	AA-
Income Tax Secured Revenue Bond *										
Bond rating by S&P	-	-	-	-	-	-	AAA	AAA	AAA	AAA
Bond rating by Moody's	-	-	-	-	-	-	Aa2	Aa1	Aa1	Aa1
Bond rating by Fitch	-	-	-	-	-	-	AA	AA+	AA+	AA+
*First issued in FY 2009										
ECONOMIC DEVELOPMENT AND REGULATION										
Taxable retail sales ($ millions)	$ 7,683	$ 8,343	$ 10,487	$ 10,051	$ 9,971	$ 11,048	$ 10,198	$ 11,191	$ 11,697	$ 12,610
Commercial construction units	59	115	125	121	173	156	107	138	124	117
Value	$ 418,049	$ 1,720,869	$ 1,466,587	$ 1,366,931	$ 1,300,454	$ 1,938,197	$ 2,321,216	$ 1,518,394	$ 941,963	$ 649,872
Residential construction units	499	506	861	815	664	1,237	1,003	850	899	855
Value	$ 68,931	$ 117,803	$ 192,609	$ 186,685	$ 182,298	$ 276,722	$ 269,812	$ 214,187	$ 235,996	$ 261,314
Housing Finance Agency										
Number of Single-Family Units Financed	5	0	0	67	273	218	109	15	53	16
Amount of Single-Family Financing Provided ($ 000s)	$ 612	$ 0	$ 0	$ 16,820	$ 59,070	$ 43,795	$ 24,750	$ 2,704	$ 9,897	$ 3,604
Number of Multi-Family Units Financed	1,237	525	7,623	1,165	1,198	917	297	1,307	729	1,608
Amount of Multi-Family Financing Provided ($ 000s)	$ 76,358	$ 36,051	$ 133,510	$ 71,543	$ 118,978	$ 91,014	$ 28,255	$ 137,000	$ 78,512	$ 183,002
Total Number of Housing Units Financed	1,242	525	7,623	1,232	1,471	1,135	406	1,322	782	1,624
Total Amount of Housing Financing Provided ($ 000s)	$ 76,970	$ 36,051	$ 133,510	$ 88,363	$ 178,048	$ 134,809	$ 53,005	$ 139,704	$ 88,409	$ 186,606
PUBLIC SAFETY AND JUSTICE										
Police										
Crime Index Offenses	39,797	36,246	32,678	32,311	33,043	35,351	34,977	30,872	31,772	36,154
Number of Police Officers	3,711	3,800	3,800	3,800	3,907	4,050	4,047	3,960	3,801	3,907
Fire & EMS										
Number of Operational Personnel	1,765	1,768	1,831	1,800	1,818	1,958	1,958	1,946	1,941	1,874
Total Number of Incidents	142,154	140,585	145,812	149,395	153,788	158,919	165,725	162,440	161,795	167,939
Total Number of Fire/Rescue Incidents	30,559	30,029	30,989	32,015	32,363	32,396	30,728	31,562	31,527	30,296
Number of Medical Incidents	11,595	110,556	114,823	117,380	121,415	126,523	134,997	130,878	130,268	137,643
Total number of Transports	79,245	77,289	73,314	75,186	76,841	81,981	86,824	94,039	97,689	101,208
Inspections	13,055	26,703	29,072	28,636	19,282	13,175	22,716	24,862	14,231	11,470
PUBLIC LIBRARY										
Number of Volumes	2,609,062	2,559,601	2,333,957	2,873,518	3,037,696	2,897,099	2,525,848	2,242,514	1,601,581	1,466,010

Function/Program	Operating Indicators									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PUBLIC EDUCATION SYSTEM										
D.C. Public School System										
Number of School Teachers	4,365	5,206	4,938	4,614	4,509	4,328	3,722	3,758	3,850	3,775
Number of School Students	65,093	62,306	62,306	56,943	52,945	46,208	46,132	45,772	48,737	45,191
Number of High School Graduates	2,723	2,740	2,680	2,450	2,489	2,555	2,679	2,790	2,954	2,919
University of the District of Columbia										
Number of Teachers	260	208	219	215	242	247	241	231	222	260
Number of Students	5,241	5,424	5,364	5,772	5,612	5,595	5,260	5,855	5,286	5,490
Number of Graduates	483	508	503	573	475	218	711	602	641	705
PUBLIC WORKS/PUBLIC TRANSPORTATION										
Street Resurfaced (includes reconstruction); regular cover; pavement restoration (miles)	27.8	36.5	90.0	65.2	52.3	32.1	18.0	13.0	14.0	17.0
Potholes Repaired	7,679	9,177	5,272	3,649	6,262	2,800	2,400	5,580	6,863	26,233
Refuse collected (tons per day)	511	506	485	425	406	404	378	390	393	382
Recyclables collected (tons per day)	83	84	85	86	95	98	105	110	107	133
Tons of Bulk Trash Removed	4,994	5,362	4,956	4,610	4,831	4,025	4,136	3,611	3,536	2,944
Tons of Leaves Removed	8,014	6,651	9,569	9,588	7,834	10,072	8,289	8,050	6,914	5,659
Tons of Snow Removed	8,056,083	2,472,659	880,000	855,712	661,050	674,225	808,732	5,298,905	850,000	105,487
Department of Motor Vehicles										
Number of motor vehicle registrations (1/1 - 12/31)	235,907	243,874	250,602	260,662	271,243	269,549	259,367	276,585	278,915	284,674
Number of operator licenses issued (1/1 - 12/31)	78,022	96,760	80,765	90,456	117,902	112,072	110,846	109,630	111,354	120,372
Number of operator licenses outstanding (1/1 - 12/31)	241,304	237,526	314,650	357,569	396,193	342,816	340,316	348,036	357,228	370,805
D.C. WATER AND SEWER AUTHORITY										
Number of Customer locations	122,502	122,802	123,062	123,465	124,109	124,582	125,130	124,993	125,653	125,752
Average daily water consumption (MGD)	86	87	86	87	87	84	80	80	80	77
Daily maximum sewer capacity (MGD)	370	370	370	370	370	370	370	370	370	370
Peak 4 Hour Flow, through complete process (MGD)	740	740	740	740	740	740	740	740	740	740
Excess Storm Flow, primary treatment only (MGD)	336	336	336	336	336	336	336	336	336	336
Peak Flow (MGD)	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076
CONVENTION CENTER										
Conferences held	163	201	189	106	151	183	204	214	231	201
Attendees	891,008	1,023,072	1,153,250	935,485	1,028,953	1,091,406	1,053,266	1,015,324	1,017,638	1,159,480

N/A. Not Available

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Exhibit S-5B

Function/Program	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Police Stations Including Satellites	14	16	16	16	16	17	11	11	11	11
Number of Patrol Cars	N/A	1,207	1,199	1,234	1,222	1,242	1,200	1,183	1,195	1,196
Fire										
Number of Fire and EMS stations	34	34	34	33	34	34	34	34	34	34
Number of Front-line Emergency Vehicles	91	92	92	107	130	111	126	126	123	123
EMS										
Number of Ambulances	65	62	62	91	78	79	77	78	89	73
D.C. Public School System										
Schools	147	147	165	144	144	144	131	122	123	122
Number of School Buses	N/A	650	669	712	727	727	790	753	802	838
Public Library										
Number of Main and Branch Buildings	22	22	22	22	22	22	24	25	25	26
Number of Community and Kiosk Facilities	5	5	5	5	5	5	0	0	0	0
Parks and Recreation										
Acreage	800	800	800	832	836	836	836	836	883	883
Number of Recreation & Community Centers	75	75	72	70	73	75	75	79	78	78
Number of Day Camps	57	70	51	86	86	71	68	76	91	88
Number of Outdoor Swimming Pools	32	27	26	24	26	24	24	23	23	24
Number of Indoor Swimming Pools	6	6	8	6	8	7	7	10	8	8
Public Works/Public Transportation										
Number of Refuse Collection Trucks	52	52	71	71	77	77	84	71	70	64
Primary Street Miles	126	126	126	126	126	126	126	126	126	126
Secondary Street Miles	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007
Number of Street Lights	66,570	66,562	66,650	66,630	68,000	68,000	68,000	68,000	68,000	69,350
Number of Signalized Intersections	1,533	1,534	1,538	1,563	1,570	1,575	1,600	1,700	1,603	1,603
Number of Trees	110,000	114,000	118,000	120,934	128,540	144,000	145,312	146,920	144,000	148,980
D.C. Water & Sewer Authority										
Miles of Water Mains	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Miles of Sewer Mains	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800

N/A: Not Available

Budgeted Full-Time Equivalent District Government Employees, by Function, General Operating Funds
Last Ten Fiscal Years
(Year ended Sept 30)

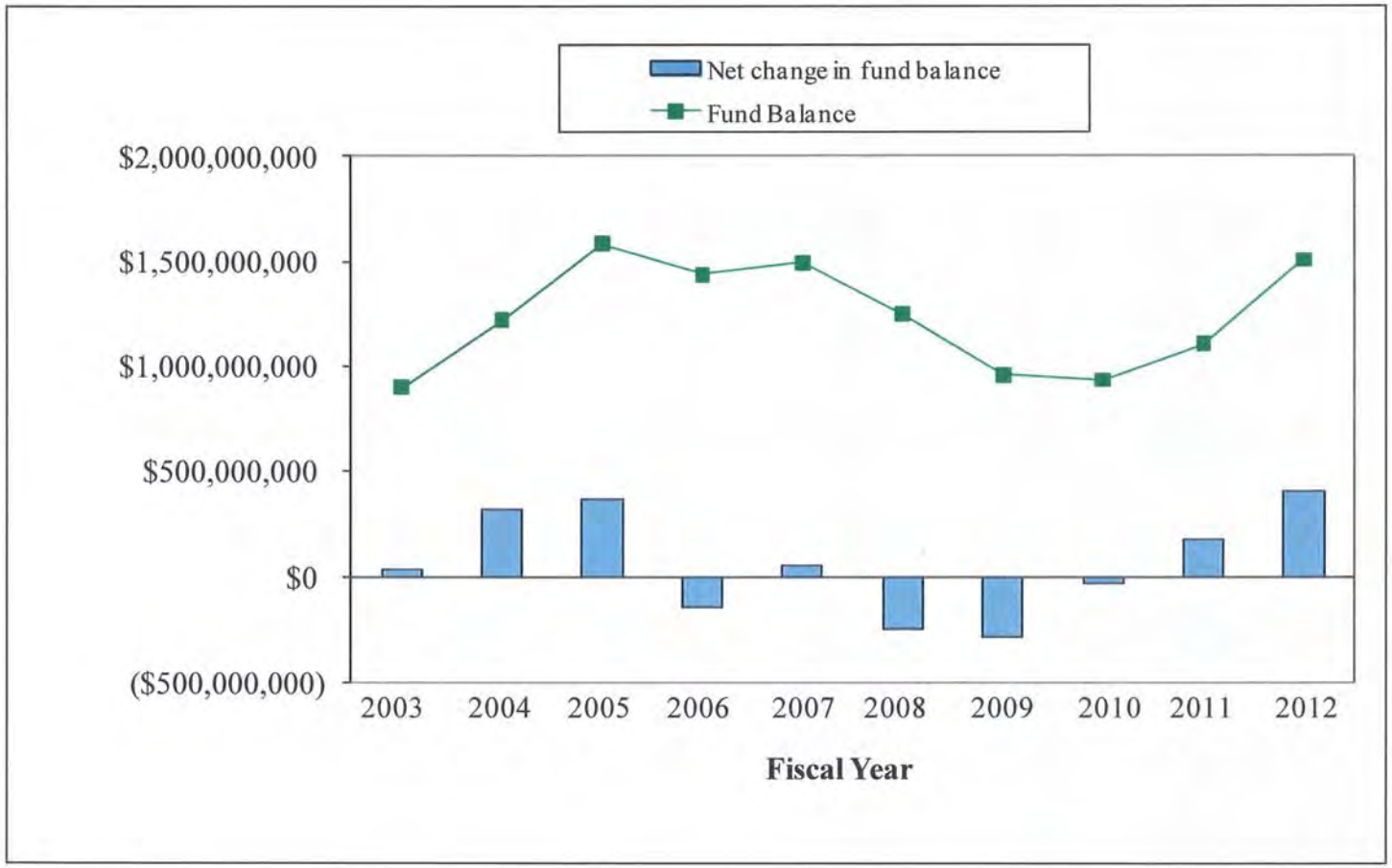
Exhibit S-5C

Function	Full-time Equivalent District Government Employees									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental direction and support	2,417	2,358	2,419	2,475	2,613	2,725	2,726	2,440	2,648	2,994
Economic development and regulation	538	1,000	986	1,104	1,157	1,220	1,230	1,128	1,040	1,041
Public safety and justice	7,379	7,547	7,963	7,919	8,234	8,720	8,728	8,586	8,505	8,313
Public education system	10,818	10,770	9,211	9,714	9,367	8,618	8,323	7,651	9,253	9,028
Human support services	4,280	4,211	4,555	4,611	4,571	4,816	4,559	3,946	3,782	3,687
Public works	1,454	1,624	1,752	1,789	1,889	2,073	2,197	2,106	2,007	2,146
Total	**26,886**	**27,510**	**26,886**	**27,612**	**27,831**	**28,172**	**27,763**	**25,857**	**27,235**	**27,209**

Source: Office of Budget and Planning

Exhibit S-5D

General Fund
Fund Balance Trend Chart



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YEAR ENDED SEPTEMBER 30, 2012